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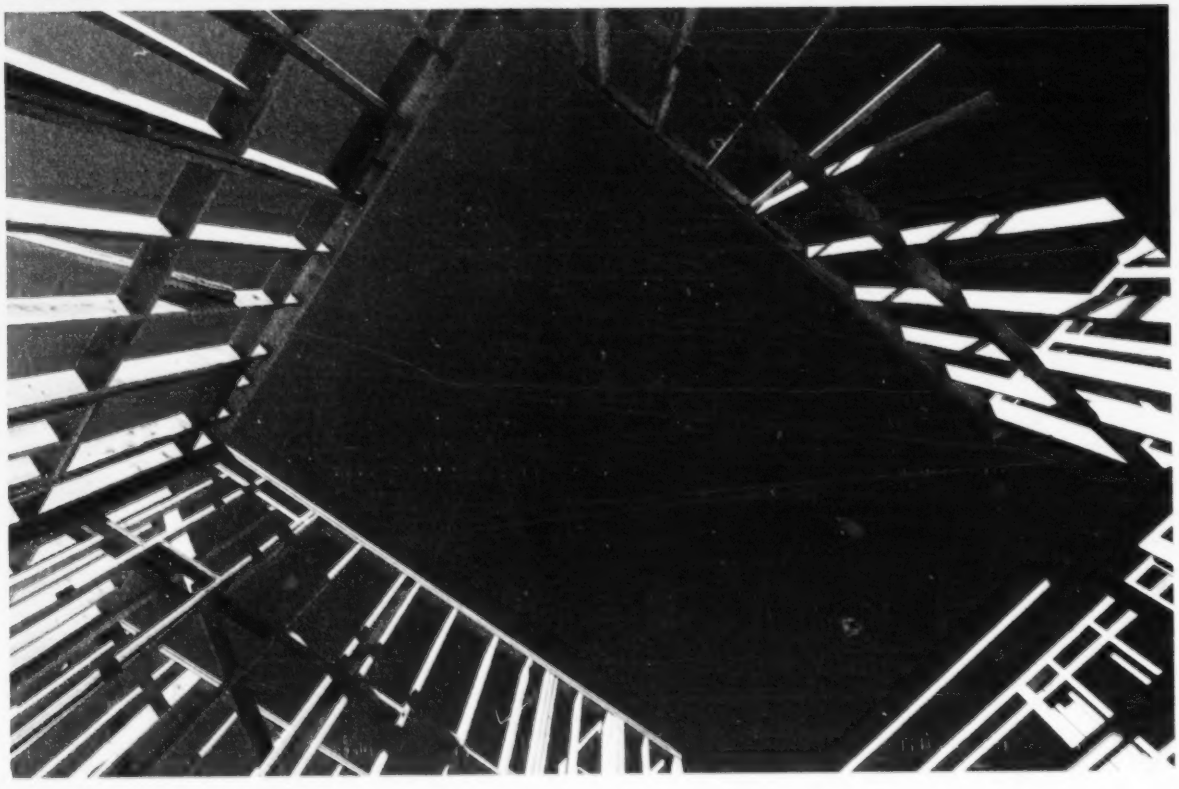
Homeowner
Protection Office

Annual Report

2008-2009



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Clerk Legislative Assembly
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Financial Report March 31, 2009

The HPO was established as a Crown Corporation under the authority of the *Homeowner Protection Act* (*Act*) in 1998.

PO Box 11132 Royal Centre
Suite 2270
1055 West Georgia St
Vancouver BC V6E 3P3
Canada

Telephone: 604 646 7050
Facsimile: 604 646 7051
Toll-free: 1 800 407 7757
Website: www.hpo.bc.ca
Email: hpo@hpo.bc.ca

Message from the Chair to the Minister

Honourable Rich Coleman
Ministry of Housing and Social Development
Province of British Columbia

KEN MACLEOD
Chair

Minister,

I am pleased to submit the Homeowner Protection Office (HPO) 2008/09 Annual Report.

In 2008, the HPO celebrated its 10th anniversary in conjunction with British Columbia's 150th anniversary. This auspicious occasion allowed us to reflect on the progress that has been made by our industry in enhancing consumer protection for buyers of new homes and to consider the future. The centerpiece in this process was the HPO's *Next Generation: Future of the Housing Industry in British Columbia* conference, which brought together 230 industry representatives to explore the trends and challenges we will face in the coming years.

The HPO was affected by the weakening of global economic activity, which resulted in a sharp downturn in the housing market in British Columbia. About 19,000 new homes were enrolled in warranty insurance in 2008/09, as compared to nearly 40,000 in the previous year. This cyclical downturn did not materially alter the positive longer-term outlook for the housing industry that was presented at our conference, but it required decisive action in the year just ended.

Consequently, the HPO decreased its expenditures by more than 27% from budgeted levels to ensure that it continued to operate within the financial framework set by government. With the exception of the Reconstruction Program, all HPO programs operated within available funding collected through license fees. The reduction in the number of multi-unit homes constructed in the coastal climatic zone affected revenues for the Reconstruction Program, increasing the need for short-term bridge financing from the Province to meet the demand for financial assistance.

In accordance with our Shareholder's Letter of Expectations, the HPO has, through a collaborative process, facilitated the development of an industry task group report containing recommendations for a new system of qualifications for licensees. These recommendations encompass core competencies for different categories of licences, educational benchmarks, training programs, and continuing professional development.

Our research and education initiatives included numerous research studies, seminars and *Builder Insight* bulletins on current best practices in residential construction.

There were no significant negative variances between the HPO's performance results and the benchmarks established in its Service Plan. In fact, in some cases the HPO's performance exceeded the benchmarks.

The opportunities and challenges encountered by the HPO are strongly tied to housing market forces. Continued enhancement of consumer protection for new home buyers will strengthen consumer confidence, helping to ensure that the recovery is earlier and stronger than would otherwise be the case. The HPO, therefore, continues its strong commitment to work closely with our industry to enhance consumer protection by bringing about on-going improvements in the quality of residential construction in the province of British Columbia.

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Message from the Chair to the Minister

Accountability Statement

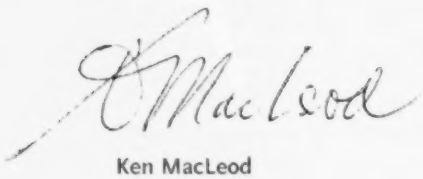
The 2008/2009 Homeowner Protection Office Annual Report was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act and the BC Reporting Principals. The Board is accountable for the contents of the report, including what has been included in the report and how it has been reported.

The information presented reflects the actual performance of the Homeowner Protection Office for the twelve months ended March 31, 2009 in relation to the February 2008 service plan. The measures presented are consistent with the Homeowner Protection Office's mandate, goals and strategies, and focus on aspects critical to the organization's performance.

The Board is responsible for putting internal controls in place to ensure performance information is measured and reported accurately and in a timely fashion.

All significant decisions, events and identified risks as of March 31, 2009 have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Any changes in mandate direction, goals, strategies, measures or targets made since the February 2008 service plan was released and any significant limitations in the reliability of data are identified in the report.

Sincerely,



Ken MacLeod

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Organizational Overview

Our Mission | **To protect buyers of new homes from undue risk and assist the residential construction industry to mitigate that risk.**

Who We Are

The 10th anniversary of the Homeowner Protection Office (HPO) occurred in 2008. Established as a Crown Corporation under the authority of the *Homeowner Protection Act (Act)*, the HPO has a mandate to:

- strengthen consumer protection for buyers of new homes
- help bring about improvements to the quality of residential construction
- support research and education for residential construction in British Columbia, and
- provide financial assistance to qualified owners of water-damaged homes.

What We Do

The HPO employs a team of 33 full-time equivalents and is responsible for:

- licensing residential builders and building envelope renovators province-wide
- administering owner builder authorizations
- monitoring the performance of the third-party home warranty insurance system underwritten by the private sector
- carrying out research and education which benefits the residential construction industry and consumers, and
- administering financial assistance programs for owners of water-damaged homes in the form of the Reconstruction Program and the Province's PST Relief Grant Program.

Where We Are

Located in downtown Vancouver, the HPO also has a team of compliance officers assigned to various territories across the province. The compliance officers, who are primarily responsible for monitoring and ensuring compliance with the *Act* and regulations, also help to maintain our partnerships with local governments and industry associations.

Who We Serve

In keeping with our mandate, the HPO serves homeowners (particularly owners of homes covered by home warranty insurance and owners of water-damaged homes), potential buyers of new homes and people arranging for new homes to be built, developers, residential builders including owner builders, and building envelope renovators. The HPO also works closely with warranty providers, building officials, industry and related consumer associations, governments including local governments and Canada Mortgage and Housing Corporation, educational institutions, research organizations, architects, engineers, financial institutions, property managers, the legal community and the real estate community.

Benefits Provided to the Public

Through the delivery of its programs, the HPO helps ensure that buyers of new homes benefit from ongoing improvements in the quality of residential construction and are protected from construction defects. The HPO is proud of the role it has played in building one of the best systems of construction defect protection for buyers of new homes in Canada.

Owners of water-damaged homes have access to information that assists in the process of managing repairs. Eligible owners have access to financial assistance to help them avoid losing their homes to foreclosure due to the cost to repair building envelope failure.

Consumer satisfaction is regularly measured through surveys conducted by an independent research firm on behalf of the HPO.

Our Strategic Foundation

The HPO's strategic foundation is structured around the vision, mission and four key values that, together with the Shareholder's Letter of Expectations (see page 33), guide the performance of the organization in carrying out its mandate under the *Homeowner Protection Act*.

OUR VISION: A professional organization that directly acts to enable a robust and respected residential construction industry in which consumers have confidence and industry partners have the ability to thrive.

OUR MISSION: To protect buyers of new homes from undue risk and assist the residential construction industry to mitigate that risk.

OUR VALUES: We are guided by our commitment to:

- fairness
- competence
- common ground, and
- usefulness.

Corporate Governance

Minister of Housing and Social Development
Honourable Rich Coleman

Board of Directors[1]

Ken MacLeod[1]
Chair, retired former Deputy Minister responsible at various times for housing, municipal affairs, culture and recreation

J.W. Brad Bond
President and Owner of Richform Construction Supply Co. Ltd.

Brian Clewes
Principal of Strategy One Consulting and former C.E.O. of the Industry Training Authority

Maureen Enser[2,3]
Executive Director of the Urban Development Institute

Eric Gerrits
Past president of the Canadian Home Builders' Association of B.C. and President of Homescape Building and Design Inc.

Antonio Gioventu[2,3]
Executive Director of the Condominium Home Owners' Association

Don Goedbloed[4]
Retired Senior Vice-president of Stuart Olson Construction Ltd.

Joe Redmond[3]
Retired Vice-president of UBC Properties Trust

Peter Schultze
Past president of the Canadian Home Builders' Association of B.C. and President of Peter Schultze Construction Ltd.

Chief Executive Officer
Ken Cameron

Chief Operating Officer / Registrar
Bob Maling

Provincial Advisory Council[4]

Licensing	Research and Education	Loans	Finance & Administration	Communications
Wendy Acheson, Manager, Licensing and Deputy Registrar	Denisa Ionescu, Manager, Research and Education	Sharon Turk, Manager, Loans	Linda McKay, Manager, Finance and Administration	Jan Calkins, Manager, Communications and Service Planning

Department Responsibilities

Licensing	Research and Education	Loans	Finance and Administration	Communications and Service Planning
Administration of the *Homeowner Protection Act* and regulations as they pertain to residential builder licensing, home warranty insurance and exemptions for residential construction	Building science research	Delivery of the Reconstruction Program	Financial reporting	Issues management, communications planning and media relations
Licensing of residential builders and authorizing owner builders	Consumer/industry education and training	Administration of the PST Relief Grant Program	Human resources	Development and implementation of strategies for consumer and industry communications
Maintenance of registries of licensed builders and new homes	Dissemination of research results and support of establishing "best practices"	Participation at on-site strata meetings to provide information on financial assistance programs	Information systems	Management of information line, website, events and publications
	Provision of input and advice on amendments to the building code		Administration of the Office	Support for the HPO's education mandate
			Budgetary planning and expenditure control	Development of Annual Report and Service Plan

[1] The Board is appointed by the Lieutenant Governor in Council and is responsible for the governance of the HPO. The Board monitors performance during the year through regular board meetings including status reports, on-going interaction with the residential construction industry and the Provincial Advisory Council on Homeowner Protection as well as independent surveys.
[2] Member of the Audit and Finance Committee which assists the Board in fulfilling its fiduciary and oversight responsibilities relating to financial reporting and the audit process.
[3] Member of the Governance Committee which conducts the CEO's performance evaluation and oversees the application of the Best Practice Guidelines for governance.
[4] The Provincial Advisory Council on Homeowner Protection provides policy advice to the HPO CEO regarding residential construction in B.C., research and education initiatiyes, and consumer information programs. The council includes representatives from the following organizations:

Architectural Institute of B.C.	Building Officials Association of B.C.	Home warranty insurance providers
Association of Professional Engineers and Geoscientists	Canadian Home Builders' Association of B.C.	Independent Contractors and Businesses Association of B.C.
B.C. Construction Association	City of Vancouver	Urban Development Institute
B.C. Federation of Labour – 2 representatives	Condominium Home Owners' Association	Union of British Columbia Municipalities
	Co-operative Housing Federation of B.C.	

The Homeowner Protection Office complies, as appropriate, with the Board Resourcing and Development Office's *Best Practice Guidelines for Governing Boards of the BC Public Sector Organizations* which can be found at http://www.lcs.gov.bc.ca/brdo/governance/corporateguidelines.pdf. The *HPO's Board of Directors Governance Manual* can be found on the HPO website at http://www.hpo.bc.ca/PDF/Overview/BoardGovManual.pdf

Licensing and Home Warranty Insurance

The Homeowner Protection Office's (HPO) licensing and warranty responsibilities are:

- licensing residential builders and building envelope renovators
- administering owner builder authorizations
- monitoring the performance of the mandatory, third-party home warranty insurance system for new home construction and building envelope renovations, and
- ensuring that all new homes built in the province are either covered by home warranty insurance or eligible for an appropriate exemption.

Since it inception in 1998, the HPO has played a pivotal role in building what is widely viewed as among the best systems of construction defect protection for new home buyers in Canada. The system administered by the HPO establishes a solid foundation for the protection of owners of new homes and improvements in residential construction in British Columbia. More than 19,169 new homes were enrolled with mandatory home warranty insurance during this fiscal year.

The 2008/09 year was a period of transition for the HPO's licensing function, as it was the first full year administering the changes brought about by the 2007 amendments to the *Act*.

Licensing

Residential builders, including developers and general contractors, must be licensed by the HPO and arrange for home warranty insurance on new homes in order to obtain a building permit (or prior to commencing construction in areas of the province without building regulations).

Building envelope renovators are also required to be licensed by the HPO and provide warranty insurance on building envelope renovations for multi-unit residential buildings less than 25 years old where those renovations exceed a specified dollar value and percentage of building face repaired.

In 2008/09 the HPO expanded the information publicly available from its registry, including changes to the searchable online builder registry to show the licence status of both licensed residential builders and previously licensed residential builders. Previously, the builder registry showed only currently licensed residential builders, with no information available about builders whose licence was expired, closed, suspended or cancelled. This change, which provides greater information useful to consumers, was possible as a result of the amendments to the *Act* in 2007.

The amendments also made it possible for the HPO to launch the online New Homes Registry in 2008. The new searchable online registry provides prospective homebuyers with information that will help them make more informed decisions when buying a new home. Registry information shows whether a new home or multi-unit building is covered by home warranty insurance, exempt from licensing and home warranty insurance because it is either owner-built or a rental building, or whether the project is under investigation for non-compliance with the *Act*. The registry is also a useful resource for realtors, lawyers, local governments, and others interested in quickly checking the status of a new home or a new home under construction.

Work commenced on the development of online services for builders and, by the end of the year, an online system

2008-2009 Licensing Highlights

as of March 31, 2009

- 5,445 licences issued to residential builders (new and renewal)
- 19,169 new homes enrolled in home warranty insurance
- 2,965 owner builder authorizations (single detached homes) issued
- 1,121 units with rental warranty exemptions (multi-unit)
- 64 licences issued to building envelope renovators (new and renewal)
- 1,851 building envelope renovations with home warranty insurance (units)

for registering new homes had been tested by 300 licensees and was ready to be launched across the province.

In response to industry leadership's desire to enhance professionalism in the residential construction sector, the HPO established a collaborative process with the residential construction industry to develop a new system of minimum qualifications for licensees under the *Homeowner Protection Act*. An industry task group has completed their recommendations for a new system of qualifications for licensees which includes core competencies for different categories of licences, educational benchmarks, training programs and professional development.

Owner Builder Authorizations

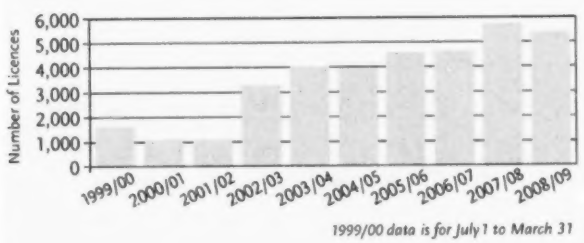
2008/09 was the first full year of administering Owner Builder Authorizations under the new rules implemented in 2007 as a result of amendments to the *Act*. Anyone wishing to build a home as an owner builder and be exempt from licensing and home warranty insurance requirements must apply for an Owner Builder Authorization and pay a fee. There are a number of eligibility requirements designed to ensure that the exemption is not abused, and owner builders must occupy the new home themselves for at least one year and are not permitted to sell the new home during that one-year period without special permission from the Registrar.

An owner builder is personally liable for construction defects in the new home for a 10-year period. If an owner builder sells their new home during this period, they must provide a disclosure notice obtained from the HPO to any prospective purchasers. The disclosure notice informs the purchaser that the home was built by the owner builder and whether or not there is a policy of home warranty insurance in place for the home.

The clearer, fairer, but more stringent requirements implemented resulted in a process that was easier to administer and a lower number of disputed applications. Out of the 113 denied owner builder applications during the year, only two resulted in appeals to the Appeal Board. The new process also allowed the HPO to monitor and follow-up on the premature sale of owner-built homes more thoroughly, cancel the owner builder authorization and require home warranty insurance enrollment instead in several cases.

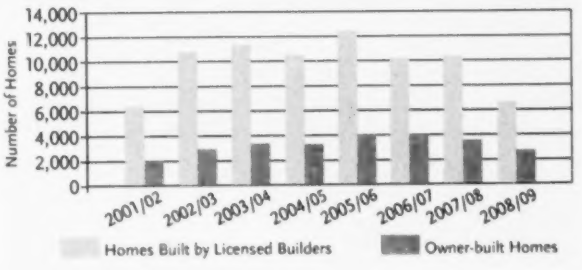
The system administered by the HPO establishes a solid foundation for the protection of owners of new homes and improvements in residential construction in British Columbia.

Licences Issued to Residential Builders



1999/00 data is for July 1 to March 31

Comparison of Single Detached Homes Built by Licensed Builders and Owner Builders



Compliance

Administering the *Act* involves significant compliance efforts on the part of the HPO, ensuring that individuals and companies required to be licensed under the legislation are licensed and that new homes are all covered by home warranty insurance unless they are legally entitled to an exemption.

Compliance work includes reviewing and monitoring owner builder authorizations, ensuring that residential builders have current licences, and ensuring that new homes are enrolled (and continue to be enrolled) in home warranty insurance throughout construction. Compliance staff also liaise closely with the building departments of local governments and educate the industry about the requirements of the *Act* throughout the province.

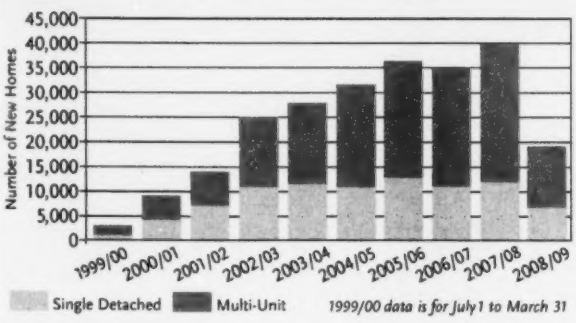
Most compliance issues are resolved on a voluntary basis upon informal communication with the non-compliant party by the HPO. Where voluntary compliance is not possible or appropriate, the HPO may issue compliance orders, which may be enforced by court order, as well as monetary penalties of up to $25,000. The HPO may also request that Crown Counsel prosecute offences committed under the *Act*. The 2008/09 period saw an appropriately balanced use of all three compliance tools. Summaries of all compliance orders, monetary penalties and convictions are available to the public on the HPO website.

Home Warranty Insurance

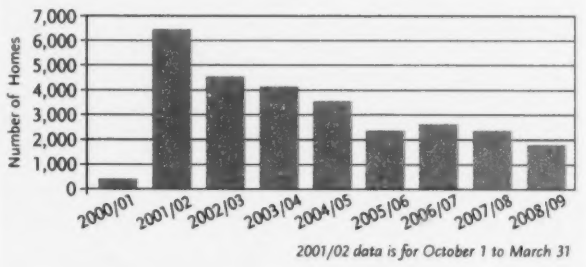
Regulations under the *Act* set out minimum standards of coverage for home warranty insurance for new home construction and residential building envelope renovations. Unless exempted by the legislation, all new homes are required to be covered by a construction defect warranty, comprising 2 years on labour and materials (some limits apply), 5 years on the building envelope including water penetration and 10 years on the structure (collectively known as 2-5-10 home warranty insurance). Minimum standards of home warranty insurance for applicable residential building envelope renovations include 2 years on labour and materials and 5 years on the building envelope including water penetration.

Warranty providers may respond to claims by requiring the residential builder to undertake repairs. However, claims made under a policy of home warranty insurance are ultimately the responsibility of the warranty provider, ensuring a high level of protection for owners of new homes even in

New Homes Enrolled with Home Warranty Insurance



Building Envelope Renovations – Units Enrolled with Warranty Insurance



The HPO maintains regular contact with the insurance companies and their agents/brokers in order to communicate concerns and share information.

the event that the builder is no longer in business or does not respond to valid claims made by the consumer.

Home warranty insurance may only be provided by insurance companies authorized and regulated by the Financial Institutions Commission. The HPO maintains regular contact with these insurance companies and their agents/brokers, in order to communicate concerns, share information, work on streamlining and standardizing processes, and generally ensure that home warranty insurance is a viable and effective system for consumers, builders, and insurance companies alike.

As of March 31, 2009 there were three companies offering home warranty insurance for new homes in British Columbia and three companies offering building envelope renovation warranty insurance.

Summary of New Homes Enrolled with Warranty Insurance and Warranty Exemptions

2008/09

Category of New Home		Number of Homes
Homes with Warranty Insurance[1]	Single Detached Homes	6,580
	Homes in Multi-Unit Buildings (two or more units)	12,589
	Total	**19,169**
Homes with Warranty Exemption[2]	Single Units (Owner Builder Authorizations)[3]	2,965
	Multi-unit Rentals	1,121
	Total	**4,086**

[1] New homes enrolled include homes for which the HPO has received verification from the home warranty insurance company that warranty insurance is in place. Note that minor adjustments may be made to these figures over time as the verification of new enrollments from home warranty insurance companies is received by the HPO on an ongoing basis.

[2] These homes are not required to have home warranty insurance (although home warranty insurance may be purchased by the owner builder if desired), but are subject to the 10-year Statutory Protection provisions of the *Homeowner Protection Act*. Homes constructed under the multi-unit rental exemption must be constructed for rental purposes and register a restrictive covenant on title restricting the sale of any dwelling unit for a 10-year period.

[3] The number of Owner Builder Authorizations issued.

The HPO also works in collaboration with industry and other partners to bring about efficient and cost-effective building science research and education that is relevant to the residential construction industry.

Research and Education

The HPO is mandated by the *Act* to provide a research and education function to benefit consumers and to help bring about improvements in the quality of residential construction in British Columbia.

The HPO partners with industry, consumer groups, educational institutions and other levels of government to leverage additional resources and expertise for these initiatives.

Initiatives are aimed at providing education and information for consumers, particularly for buyers of new homes and strata councils. The HPO also works in collaboration with industry and other partners to bring about efficient and cost-effective building science research and education that is relevant to the residential construction industry. These initiatives help to ensure that new technologies and best building practices are integrated into industry practice. They also reduce the likelihood of negative impacts on the building envelope or other components.

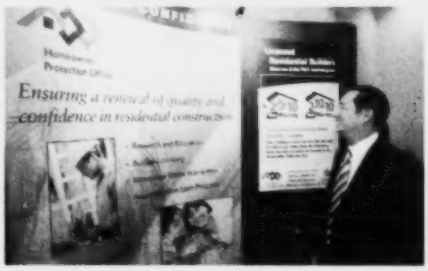
Building Industry Research and Education

To mark its 10th anniversary and British Columbia's 150th anniversary, in 2008 the HPO held the one-day conference *Next Generation: Future of the Housing Industry in British Columbia* to bring together all sectors of the market housing industry to explore the trends and challenges we will face in the coming years.

A commemorative video *150 Years of Housing in British Columbia* was developed to celebrate this occasion. As well, a research report was commissioned by the HPO on *Homes in 2026: Who will buy them? Who will build them?* The main factors and trends related to housing and labour demand were presented at the conference.

Keynote presenters provided perspectives on the forces shaping the housing market and the industry, combining insights and expertise from British Columbia and around the world with the results of the new research commissioned by the HPO. The conference attracted more than 230 participants.

The HPO also helped industry associations and organizations to strengthen their professional programs in residential construction.



In support of training initiatives, the HPO provided funding towards the Canadian Home Builders' Association of B.C.'s project to update and enhance their builder courses to meet the National Education Benchmarks for home-builders and renovators. Three courses were updated: BC Building Code, Construction Law and Business and Management Planning. Support was also provided to the Residential Construction Industry Training Organization towards the development and future delivery of their Building Envelope Technician program.

During 2008/09 the framework for a new Housing Futures Research and Education Funding Program was developed for externally-generated research and education projects that support the mandate and goals of the HPO and reflect the strategic directions of the Board. The implementation of this program was deferred pending the availability of funds.

The HPO presented its *Building Smart* education seminar series to more than 20 communities across the province in 2008/09. Introduced in 2004, these seminars are the prime vehicle for disseminating research results, good building practices and information on technological changes in construction to Licensed Residential Builders and others involved in new house construction.

More than 2,500 individuals participated in the spring and fall seminar series which included 44 three-hour seminars on the topics of *Windows: Performance, Selection and Installation*, and *Insulating Concrete Form (ICF) Walls in Residential Construction*. Seminar partners included the Window and Door Manufacturers Association of BC, the BC Ready-Mixed Concrete Association, and Building and Safety Policy Branch. Evaluation surveys completed by participants demonstrated a high level of satisfaction with the content, presenter and value for the nominal registration fee.

Over 1,400 individuals in 22 locations participated in the *Greening the BC Building Code* seminar, the first in the Code Change Seminar series, held by the Homeowner Protection Office on behalf of the Building and Safety Policy Branch. These workshops focused on recent changes to the BC Building Code and how these changes affect residential construction in British Columbia.

A *Builder Insight* bulletin *Changes to BC's Provincial Energy Efficiency Regulations: Impact for Residential Builders* was published to convey changes to Part 10 of the BC Building Code. The publication summarized the newly established energy and water efficiency requirements and other related standards and how they affect new construction in British Columbia.

Aimed at Licensed Residential Builders and others in the residential construction industry, a new *Builder Insight* bulletin, *Rainscreen Walls: Field Monitoring and Performance in Coastal British Columbia*, highlighted the results of an industry-sponsored program that was performed to verify the long-term field performance of rainscreen walls in multi-unit residential construction in British Columbia.

The HPO develops and delivers a range of *Building Smart* seminars and other relevant seminars to inform and educate builders and building envelope renovators.

2008/09 Building Industry Research and Education Highlights

as of March 31, 2009

- Developed and delivered two *Building Smart* seminars including:
  - *Windows: Performance, Selection and Installation* held at 22 locations across British Columbia and attended by over 1,300 participants
  - *Insulating Concrete Form (ICF) Walls in Residential Construction* held at 22 locations with more than 1,100 participants
  - In addition, the HPO presented *Building Smart* seminars at the Building Officials' Association of BC (BOABC) Annual Conference, Buildex 2009 and a BC Building Envelope Council event
- Developed and delivered one Code Change seminar series:
  - *Greening the BC Building Code* held at 22 locations and attended by more than 1,400 participants
- Published two *Builder Insight* technical bulletins entitled *Changes to BC's Provincial Energy Efficiency Regulations: Impact for Residential Builders* and *Rainscreen Walls: Field Monitoring and Performance in Coastal British Columbia*
- Continued work on the following research projects:
  - Space Conditioning Energy Conservation in Multi-Unit Residential Buildings in partnership with Canada Mortgage and Housing Corporation (CMHC), City of Vancouver, Terasen Gas, BC Hydro and RDH Building Engineering Ltd.
  - Effects of green building rating systems on the durability of buildings and the building envelope, in partnership with CMHC
  - Best Practice Guide on Windows, in partnership with CMHC and Natural Resources Canada
  - Investigation of Indoor Humidity Control via Mechanical Ventilation in Coastal/Maritime Climates in Multi-Unit Residential Buildings, in partnership with CMHC
  - Field Measurement of Wind-Driven Rain on Buildings in BC Coastal Climate, in partnership with (BCIT) British Columbia Institute of Technology, CMHC and BC Housing
  - Update and expansion of the HPO Building Envelope Guide for Houses: Part 9 Residential Construction, in partnership with Building and Safety Policy Branch, BC Ready-Mixed Concrete Association, Window and Door Manufacturer Association of BC, and other industry organizations
- Completed the following research projects:
  - Field Test of Proposed Seismic Requirements for Houses in the 2010 National Building Code in partnership with Canadian Home Builders' Association (CHBA)
  - Research in support of the National Radon Task Group activities
  - Part 9 Building Code Clarifications report to Building and Safety Policy Branch
  - Updates to three CHBA-BC courses to meet the National Education Benchmarks for homebuilders and renovators
  - Assessment of Future Demand for the HPO Reconstruction Program
  - Market Housing Demand and the Residential Labour Supply
  - 150 Years of Housing in British Columbia research and video
- Hosted a one-day conference on *Next Generation: Future of the Housing Industry in British Columbia*
- Partnered with BC Building Envelope Council, CMHC and BC Housing for the Building Research Conference – Energizing the Industry; two presentations on findings from HPO-funded research projects were delivered at the conference
- Presented the seminar *Airtightness in Residential Construction* at the Canadian Home Builders' Educational Forum in partnership with Fraser Valley Home Builders' Association and CHBA – Upper Fraser Valley
- Developed the framework and implementation plan for the introduction of the new Housing Futures Funding Program

Consumer Information

The HPO provides a range of consumer information to help bring about a better-informed and protected consumer. This information helps homebuyers to make more informed purchasing decisions, ensure proper maintenance of new homes and strata-titled common property, understand home warranty insurance, and be informed of HPO financial assistance programs for owners of water-damaged homes.

At the request of strata councils considering their options with respect to building envelope rehabilitation, the HPO continued to provide information on financial assistance programs for the repair of water-damaged homes and to meet with building envelope consultants to help interpret requirements for licensing and warranty insurance.

As part of its ongoing consumer education and research program, the HPO and its partners develops consumer-friendly *Maintenance Matters* bulletins. The bulletin series provides strata owners, property/maintenance managers and strata councils with easy-to-understand information on maintaining multi-unit housing with a focus on building envelope maintenance. The publications were showcased at three strata educational seminars.

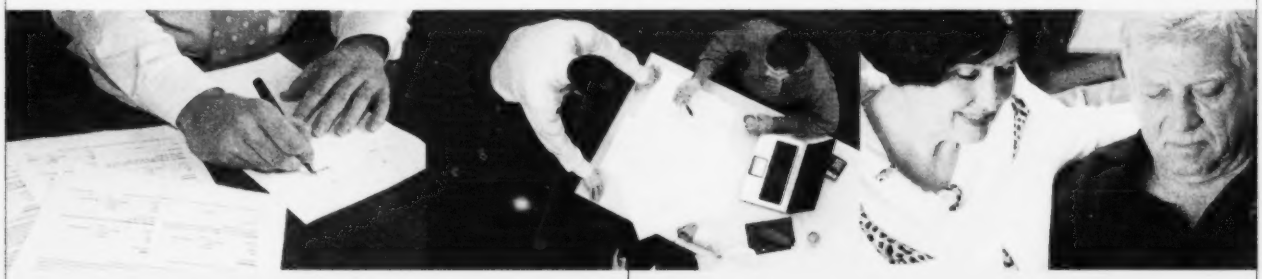
In the fall of 2008, the HPO commissioned its fourth biennial survey of owners of new homes as well as prospective new home buyers. The survey is designed to obtain a statistically reliable picture of changes in consumers' awareness and satisfaction with the consumer protection measures provided under the *Homeowner Protection Act*.

Work continued on the development of three new consumer guides: *Buying a Home in British Columbia: A Consumer Protection Guide*, the *Guide to Home Warranty Insurance in British Columbia* and a performance guide for new homes to be published early in 2009/10.

2008/09 Consumer Information Highlights

as at March 31, 2009

- Completed the 2008 biennial Consumer Survey
- Conducted 24 on-site strata meetings to provide owners with information on financial assistance programs for the repair of water-damaged homes
- Participated in the First-time Homebuyers Seminar conducted by the Greater Vancouver Home Builders' Association
- Participated in 11 trade and consumer shows throughout the province
- Increased customer service by implementing an improved telephone system to reroute calls to appropriate staff members and to respond more effectively to customer enquiries
- The HPO website attracted 271,082 visits from those seeking information about programs and initiatives
- Delivered three presentations on *Maintenance Matters* bulletins at Condominium Home Owners' Association and Pacific Condominium Association strata education seminars
- Continued work on the following consumer projects:
  - A new *Maintenance Matters* bulletin in partnership with industry
  - Two consumer protection guides on buying a new home and warranty insurance
  - Performance Guide for New Homes



Financial Assistance

The HPO admin sters two financial assistance programs – the Reconstruction Program and the PST (Provincial Sales Tax) Relief Grant.

Reconstruction Program

The Reconstruction Program was established in 1998 to provide assistance to owners who do not have the ability to pay for the cost of building envelope repairs to buildings in the coastal climatic zone.

The HPO has a responsibility under the *Homeowner Protection Act* to provide financial assistance for eligible owners of homes with damage caused by water leakage through the walls of their home.

The Reconstruction Program provides eligible owners with financial assistance for the repair of multi-unit buildings as well as single detached homes. An owner may be eligible if their home is located in the coastal climatic zone and:

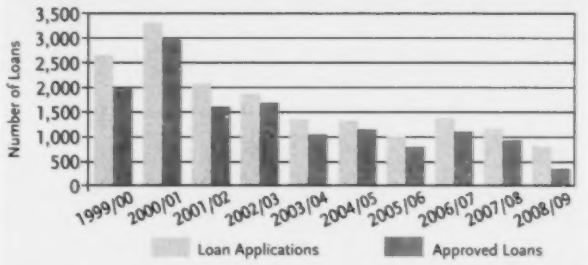
- the owner does not have adequate savings or equity, or cannot qualify for a conventional loan to pay for building envelope repairs, and
- the building is no more than 25 years old and is confirmed to have experienced building envelope failure by an architect or engineer.

2008/09 Reconstruction Program Highlights

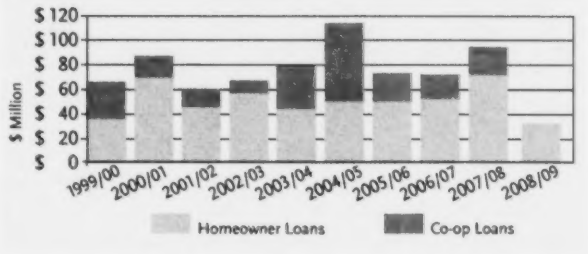
as at March 31, 2009

- During the 2008/09 fiscal year 414 homeowner loans were approved with a total value of $35.7 million
- The average annual homeowner loan amount approved in 2008/09 was $86,263
- Deferred payment loans represented 24% of the number of issued homeowner loans, totaling more than $8.9 million in financial assistance
- The average per unit value of the approved housing co-operative repair loans since the program's inception was $73,227 as of March 31, 2009
- Since the HPO's inception in 1998, 13,981 homeowner loans and 39 co-op loans (representing 2,045 units) have been approved totaling more than $680 million in financial assistance

Homeowner Reconstruction Loans



Value of Approved Reconstruction Loans



The PST Relief Grant was established to provide tax relief to owners of homes that have completed building envelope repairs.

In many cases, loans are arranged through the owner's mortgage lender and the owner makes monthly principal-only payments to their lender which are set at affordable rates by the HPO through one-on-one consultations with the applicants. The HPO pays the interest on the loan directly to the owner's financial institution on behalf of the owner.

In other cases, often for seniors with no existing mortgage and on a fixed income, the HPO provides direct no-interest financing. Depending on their ability to pay, some applicants may qualify for a deferred payment loan which allows them to receive financial assistance and not have to make any payments for as long as they live in the home.

Over the years, repair costs for housing co-operatives has increased considerably beyond what was initially anticipated when the Reconstruction Program began. The HPO continues to provide financial assistance to housing co-operatives with loan commitment letters already in place. However, the HPO has stopped making new commitments for financial assistance for repairs to federally funded co-operative housing projects in British Columbia. The federal government continues its responsibility for repairs to federally funded co-operative housing projects.

PST (Provincial Sales Tax) Relief Grant

The PST Relief Grant was established to provide tax relief to owners of homes that have completed building envelope repairs. The HPO delivers this program on behalf of the Province.

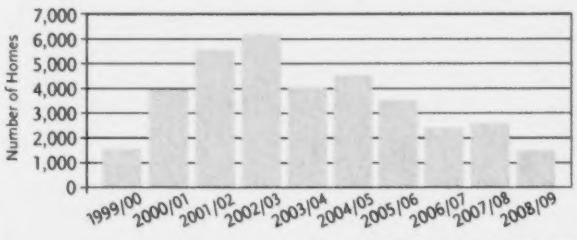
This program provides a rebate of the approximate cost of the Provincial Sales Tax on the repair. About 40% of the repair cost is usually subject to Provincial Sales Tax. Multi-unit buildings as well as singled detached homes are eligible under the program. Strata councils apply for the grant on behalf of all owners in the case of multi-unit, strata-titled homes.

2008/09 PST Relief Grant Highlights

as at March 31, 2009

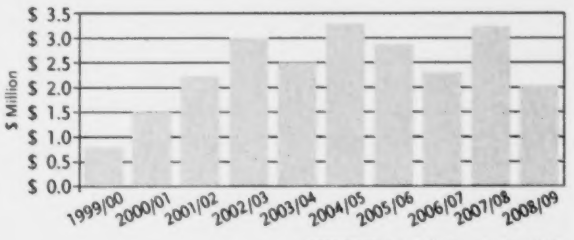
- 43 applications representing more than 1,662 homes were approved for PST Relief Grants totaling nearly $2.0 million
- Since the PST Relief Grant was introduced in 1999, $23.7 million in grants to owners in 36,266 homes have been approved with an average grant per home of $653

PST Relief Grant – Number of Units Approved



1999/2000 data is for June to March 31

PST Relief Grant –Total Amount of Approved Grants



1999/2000 data is for June to March 31

Performance Measures, Targets and Results

The focus of this report is on performance for 2008/09.

This section reports on the performance of the Homeowner Protection Office (HPO) relative to the performance measures and targets identified for the 2008/09 fiscal year contained in the 2008-2011 Service Plan. Measures include satisfaction and awareness levels as well as indicators of effectiveness and responsiveness in various program areas. Past performance results are also presented.

The focus of this report is on performance for 2008/09. Future targets for the two-year period 2009/10 to 2010/11 are also shown to provide information on performance expectations. These future targets are drawn from the most recent 2009-2012 Service Plan, as two targets have been changed from the previous 2008-2011 Service Plan and 2007/08 Annual Report. These two minor changes are noted and described at the end of this section under Performance Measurement Systems on page 29.

A summary of the HPO's strategic mission, goals, objectives and performance measures is shown on page 17. The following five goals were identified by the Board of Directors as the key strategic thrusts to ensure that the HPO is delivering on its responsibilities under the *Homeowner Protection Act*:

1) Further professionalization of the residential construction sector
2) Informed and protected consumers
3) Continued viability of the home warranty insurance system
4) Provide effective research and education programs that benefit the residential construction industry and consumers, and
5) An aligned, focused and capable organization.

The HPO's performance measures and targets were developed to determine progress towards these five goals and to ensure the HPO continuously delivers on its responsibilities under the *Homeowner Protection Act*.

Summary of Results

The 2008-2011 Service Plan sets out 16 performance targets for 2008/09. A summary of the results is presented below.

Performance target met or exceeded:

- Reconstruction Loan default rate
- Research results and best practices disseminated through symposiums, seminars or workshops
- Research results incorporated into building standards and best practices
- Timeliness of licensing decisions on completed licence applications
- Timeliness of license renewal decisions
- Timeliness of decisions on completed homeowner applications for the Reconstruction Program

Progress made towards meeting targets:

- Homebuyer awareness of consumer protections under the *Homeowner Protection Act*
- Homeowner satisfaction with home warranty insurance on their home
- Homeowner satisfaction with the quality of home construction

Performance targets not met:

- Homeowner satisfaction with the building process
- Resources leveraged by the HPO through other funding partners

Performance not measured in 2008/09:

- Builder satisfaction with the licensing system
- Builders' ratings of their overall relationship with their warranty provider
- Builder rating of the effectiveness of HPO's compliance efforts to monitor and enforce licensing and home warranty insurance requirements and the owner builder exemption

New measures – establishment of targets pending:

- Percentage of home warranty insurance claims that have been resolved by builder or warranty provider (new measure)
- Timeliness of decisions on Owner Builder Authorizations (new measure)

Data for the three performance measures not measured in 2008/09 is gathered through the biennial Licensed Residential Builder survey that was last carried out in 2007/08. As well, two new performance measures introduced in the Service Plan 2008-2011 were not measured. Results will be measured and reported in next year's annual report.

Summary of HPO Mission, Goals, Objectives and Performance Measures

Mission Statement

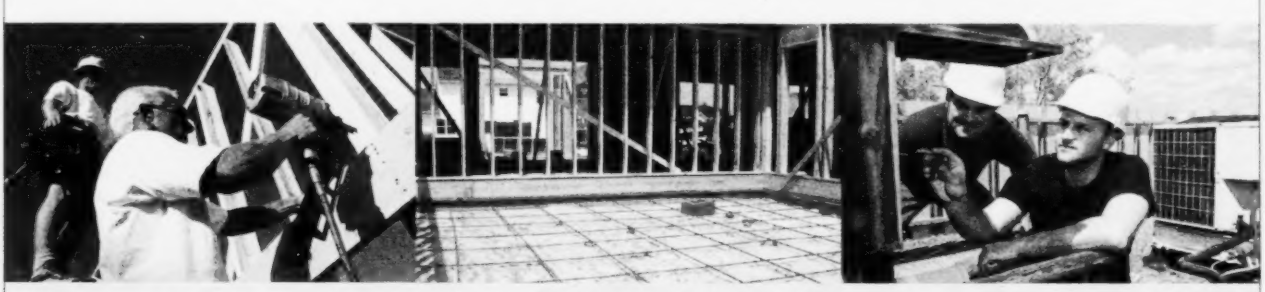
Protect buyers of new homes from undue risk and assist the residential construction industry to mitigate that risk.

	1	2	3	4	5
Goals	Professionalization of the residential construction sector	Informed and protected consumers	Continued viability of the home warranty insurance system	Provide effective research and education programs that benefit the residential construction industry and consumers	An aligned, focused and capable organization
Objectives	"Raise the bar" for Licensed Residential Builders Address black-market building Implement administrative penalties and compliance orders Better perform gate-keeping duties Enhance public registry	Increase communications and education initiatives Established standard of information for consumers Owners of water-damaged homes do not have to lose their homes	Ensure the availability, affordability and effectiveness of home warranty insurance Ensure home warranty is in place where coverage is required	Conduct and disseminate results on research related to continuous improvement in the quality of residential construction Facilitate the use of research in the development and applications of best practices	Ensure the HPO remains lean, agile, rigorous and resourced
Performance Measures	Builder satisfaction with the licensing system Builders' rating of the effectiveness of the HPO's compliance efforts to monitor and enforce licensing and home warranty insurance requirements and the owner builder exemption	Homebuyer awareness of consumer protections under the *Homeowner Protection Act* Homeowner satisfaction with home warranty insurance on their home Homeowner satisfaction with the quality of home construction Homeowner satisfaction with the building process Reconstruction loan default rate	Percentage of home warranty insurance claims that have been resolved by the builder or warranty provider Builder rating of their overall relationship with their warranty provider Homeowner satisfaction with the home warranty insurance on their home	Research results and best practices disseminated through symposiums, seminars or workshops Research results incorporated into building standards and best practices Resources leveraged by the HPO through other funding partners	Timeliness of decisions on completed license applications Timeliness of decisions on completed homeowner applications for the Reconstruction Program Timeliness of license renewal decisions Timeliness of decisions on Owner Builder Authorizations

Performance Measures, Targets and Results

Goal One

Professionalization of the Residential Construction Sector



Builder Satisfaction with the Licensing System

Year	Target	Actual
2003/04	Collect baseline data	83%
2004/05	Not surveyed	–
2005/06	88% or higher builder satisfaction	87%
2006/07	Not surveyed	–
2007/08	90% or higher builder satisfaction	92%
2008/09	**Not surveyed**	**–**
2009/10	92% or higher builder satisfaction	
2010/11	Not surveyed	

This measure tracks Licensed Residential Builder satisfaction with the HPO licensing system. Baseline data was obtained through a 2003/04 survey of Licensed Residential Builders in the province (see page 29 for a further description of this survey). The third biennial builder survey was carried out in 2007/08.

The 2007/08 survey found that 92% of Licensed Residential Builders were very or somewhat satisfied with the HPO licensing system. Sub-components of satisfaction tracked include:

- 86% satisfaction with the rules/ requirements
- 90% satisfaction with the application process
- 86% satisfaction with the renewals process, and
- 90% satisfaction with timeliness of licensing decisions.

HPO results compare well to Ontario-based Tarion Warranty Corporation's builder registration which reports overall 89% builder satisfaction.

Result: Target met.

Builders' Rating of the Effectiveness of the HPO's Compliance Efforts to Monitor and Enforce Licensing and Home Warranty Insurance Requirements and the Owner builder Exemption

Year	Target	Actual
2003/04	Collect baseline data	72%
2004/05	Not surveyed	–
2005/06	75%	70%
2006/07	Not surveyed	–
2007/08	75%	71%
2008/09	**Not surveyed**	**–**
2009/10	75%	
2010/11	Not surveyed	

Data for this measure is obtained through the biennial licensed builder survey which tracks builders' rating of the effectiveness of the HPO's efforts to monitor and enforce compliance with the mandatory builder licensing and home warranty insurance requirements, and the owner builder exemption provisions of the *Act*.

The 2007/08 survey of Licensed Residential Builders found that 71% of builders felt that the HPO's compliance efforts were very or somewhat effective, and 29% felt that they were ineffective. While this result falls below the target of 75%, it represents a slight improvement over the 2005/06 Licensed Residential Builder Survey result.

HPO results are comparable to Ontario-based Tarion Warranty Corporation's survey: 76% of builders ± 6.0% believe Tarion's work reduces illegal building activity.

The *Homeowner Protection Amendment Act* came into force on November 19, 2007. It provides the HPO with greatly enhanced compliance tools which should improve progress toward the target in the future.

Result: Progress made towards meeting the target.

Performance Measures, Targets and Results

Goal Two | **Informed and Protected Consumers**

Homebuyer Awareness of Consumer Protections under the *Homeowner Protection Act*

Year	Target	Actual
2002/03	Collect baseline data	73% awareness of builder licensing and 45% awareness of home warranty insurance
2003/04	Not surveyed	–
2004/05	80% awareness of builder licensing and 55% awareness of home warranty insurance	69% awareness of builder licensing and 52% awareness of home warranty insurance
2005/06	Not surveyed	–
2006/07	80% awareness of builder licensing and 60% awareness of home warranty insurance	74% awareness of builder licensing and 55% awareness of home warranty insurance
2007/08	Not surveyed	–
2008/09	**90% awareness of builder licensing and 70% awareness of home warranty insurance**	**82% awareness of builder licensing and 57% awareness of home warranty insurance**
2009/10	Not surveyed	
2010/11	90% awareness of builder licensing and 70% awareness of home warranty insurance	

This measure tracks prospective homebuyer awareness of the consumer protection measures in place in British Columbia, specifically licensing of residential builders and warranty insurance requirements. Data for this exclusive HPO performance measure is obtained through the biennial British Columbia consumer survey conducted by a third-party research company (See page 29 for a further description of the consumer survey).

In 2008/09 the level of awareness of builder licensing among homebuyers increased to 82% from 74% two years earlier. Similarly, the level of awareness of home warranty insurance increased to 57% from 55% in 2006/07.

The 2008/09 result indicates the continued need to communicate information effectively to consumers about the licensing and home warranty insurance systems. The planned release of two consumer information guides at the beginning of 2009/10 is expected to have a positive impact on consumer awareness levels.

Result: Progress made towards meeting the target.

Homeowner Satisfaction with Home Warranty Insurance on their Home

Year	Target	Actual
2002/03	Collect baseline data	83%
2003/04	Not surveyed	–
2004/05	85%	80%
2005/06	Not surveyed	–
2006/07	85%	77%
2007/08	Not surveyed	–
2008/09	**85%**	**81%**
2009/10	Not surveyed	
2010/11	90%	

This measure tracks homeowner satisfaction with the protection provided by warranty insurance on their new homes. Data for this measure is obtained through the biennial consumer survey.

In 2008/09 the majority of new homeowners, 81%, continued to be very to somewhat satisfied with the protection provided by their warranty insurance.

Satisfaction levels were higher among owners of multi-unit homes at 85% compared to 75% for owners of single detached homes. Owners who have encountered a problem with their home are not as satisfied with their warranty insurance (76% satisfied) compared to those who have not had a problem (85% satisfied). There are similar levels of satisfaction among owners who have lived in their home for two or more years (81%) and those who have lived in their home for less than two years (82%).

The variation between the 2008/09 result and the target may be partially explained by a larger portion of homeowners in the survey sample with policies at all years of coverage which includes, at a minimum, 2 years on labour and materials (some limits apply), 5 years on the building envelope and 10 years on structure.

HPO results are comparable to Ontario-based Tarion Warranty Corporation's survey: 77% of homeowners believe Tarion makes sure new home builders fulfill their warranty obligations.

HPO planned activities for continued improvement include two online consumer guides on home warranty insurance and a performance guide for new homes available in 2009/10 which will provide consumers with more information and a better understanding of submitting claims to warranty providers.

In addition, the HPO Board/Warranty Provider Liaison Committee discusses concerns and facilitates the functioning of the warranty insurance system. Staff members liaise regularly with warranty providers and their agents.

Result: Progress made towards meeting the target.

Homeowner Satisfaction with the Quality of Home Construction

Year	Target	Actual
2002/03	Collect baseline data	93%
2003/04	Not surveyed	–
2004/05	Target not established (new measure)	91%
2005/06	Not surveyed	–
2006/07	95%	90%
2007/08	Not surveyed	–
2008/09	**95%**	**93%**
2009/10	Not surveyed	
2010/11	95%	

This measure tracks the satisfaction with the quality of home construction among owners with warranty insurance on their homes. Data is obtained through the biennial consumer survey. As a new measure introduced in 2004/05, targets have been established commencing in 2006/07.

The vast majority (93%) of current homeowners report being very satisfied (48%) or somewhat satisfied (45%) with the quality of construction of their homes. This percentage has remained relatively unchanged since 2002. Looking at this question by housing type, owners of single detached homes are slightly more satisfied with the quality of construction compared to owners of homes in multi-unit buildings.

The HPO is addressing this slight target shortfall by the ongoing development of maintenance bulletins for consumers and a performance guide for new homes to be released in 2009/10.

The HPO also plans to update the *Building Envelope Detail Guide for Houses: Part 9 Residential Construction* and continue the delivery of builder educational seminars on code requirements and best practices.

The HPO's results significantly exceed the results reported by Ontario-based Tarion Warranty Corporation: 46% of homeowners report being highly satisfied with the state of their home when they moved in and 40% report being highly satisfied with customer service after they moved in.

Result: Progress made towards meeting the target.

Homeowner Satisfaction with the Building Process

Year	Target	Actual
2004/05	Collect baseline data	83%
2005/06	Not surveyed; establish target	–
2006/07	88%	81%
2007/08	Not surveyed	–
2008/09	**90%**	**81%**
2009/10	Not surveyed	
2010/11	90%	

This measure tracks the satisfaction levels with the building process among homeowners with warranty insurance, specifically owners of custom-built homes or homes purchased on a pre-sale basis. Data for this measure is obtained through the biennial consumer survey. Baseline data was collected in the 2004/05 consumer survey.

Unchanged from 2006/07, 81% of homeowners were very or somewhat satisfied with the building process in 2008/09. This ranges from 71% satisfaction among homeowners who purchased a home on a pre-sale basis, to 96% satisfaction among homeowners who had their home custom built by a licensed builder. Further breakdown of the results include:

- 77% satisfaction overall with cost and budgeting
- 65% satisfaction with the contractor/builder/developer, and
- 63% satisfaction with the time it took to build the home.

Given the consistent results over time, the current target of 90% may be unrealistic. The target will be reassessed for the purposes of the 2010-2013 Service Plan.

Plans to improve overall consumer perception of the building process include research and education programs on the integration of new building technologies that support quality and cost effective residential construction.

HPO survey results significantly exceed the results of Ontario's Tarion Warranty Corporation: 63% of homeowners felt that their overall experience with the builder met or exceeded expectations.

Result: Target not met.

Reconstruction Loan Default Rate

Year	Target	Actual
2002/03	4% or less	1.8%
2003/04	4% or less	1.8%
2004/05	1% or less	1.8%
2005/06	1% or less	1.7%
2006/07	1.5% or less	1.6%
2007/08	1.5% or less	1.4%
2008/09	**1.5% or less**	**1.4%**
2009/10	1.5% or less	
2010/11	1.5% or less	

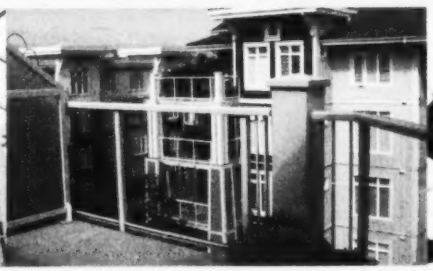
This measure tracks the effectiveness of the Reconstruction Program in helping homeowners to avoid losing their homes as a result of building envelope repair costs. It compares the number of Reconstruction Loans in default to the total number of loans issued in the program. Data is obtained through the HPO loans database.

The Reconstruction Program provides no-interest loans to owners of water-damaged homes who would not otherwise be able to obtain financing or pay for repair costs related to building envelope failure, e.g., may be experiencing an overall high debt to equity ratio.

The actual default rate of 1.4% in 2008/09 is slightly lower than the target rate of 1.5%.

The Reconstruction Program default rate was higher than the default rate of all residential loans or mortgages for British Columbia and Canada at 0.23% and 0.33% respectively as of December 2008 (Source: Canadian Bankers Association). This reflects the more difficult financial situation associated with recipients of the HPO's Reconstruction Loans as compared to housing loans in general.

Result: Target met.



Percentage of Home Warranty Insurance Claims that have been Resolved by the Builder or Warranty Provider

Year	Target	Actual
2007/08	Not forecast	–
2008/09	**Establish baseline, set target**	**HPO working with warranty providers to establish a reliable baseline**
2009/10		
2010/11		

This is a new measure introduced in the 2008-2011 Service Plan.

Warranty providers have recently agreed to provide the HPO with some aggregated statistics regarding claims and outcomes. As of March 31, 2009 sufficient data was not available from the warranty providers to establish a statistically reliable baseline. The HPO continues to work in conjunction with the warranty providers to establish the baseline.

Result: Progress towards establishing a baseline.

Builder Rating of their Overall Relationship with their Warranty Provider

Year	Target	Actual
2003/04	Collect baseline data	87%
2004/05	Not surveyed	–
2005/06	90%	84%
2006/07	Not surveyed	–
2007/08	92%	86%
2008/09	**Not surveyed**	–
2009/10	92%	
2010/11	Not surveyed	

This measure tracks Licensed Residential Builders' ratings of their overall relationship with their warranty providers. Data for this measure is obtained through the biennial builder survey.

In 2007/08, 86% of builders felt they had a good or excellent relationship with their warranty provider. Specifically, 36% of builders rate the relationship as excellent and 50% rate it as good.

These results represent a slight increase over the result of 84% two years earlier, and is below the target of 92%. Sub-components of this measure include:

- 70% rate handling of complaints or claims from consumers as excellent or good
- 45% rate cost of warranty insurance as excellent or good, and
- 79% rate ease of application process for coverage as excellent or good.

Given the consistent results over time, the current target (92%) may be unrealistic. The targets will be reassessed for the purposes of the 2010-2013 Service Plan.

Plans underway to improve performance include meetings of the HPO Board/ Warranty Liaison Committee which discusses concerns and facilitates the functioning of the warranty system. Staff liaises regularly with warranty providers and their agents. In addition a new performance guide for new homes is under development. This resource will assist builders in assessing what type of defects would be eligible for warranty coverage.

The current British Columbia result of 86% is within the range of results reported by Tarion Warranty Corporation, Ontario: 85% overall builder satisfaction. It should be noted that the HPO survey margin of error is ±2.9% while the Ontario survey margin of error is ±6.0%.

Result: Target not met.

Homeowner Satisfaction with Home Warranty Insurance on their Home

Year	Target	Actual
2002/03	Collect baseline data	83%
2003/04	Not surveyed	–
2004/05	85%	80%
2005/06	Not surveyed	–
2006/07	85%	77%
2007/08	Not surveyed	–
2008/09	**85%**	**81%**
2009/10	Not surveyed	
2010/11	90%	

This measure tracks homeowner satisfaction with the protection provided by warranty insurance on their new homes. Data is obtained through the biennial consumer survey.

In 2008/09 the majority of new homeowners, 81% continued to be very to somewhat satisfied with the protection provided by their warranty insurance.

Satisfaction levels were higher among owners of multi-unit homes at 85% compared to 75% for owners of single detached homes. Owners who have encountered a problem with their home are not as satisfied with their warranty insurance (76% satisfied) compared to those who have not had a problem (85% satisfied). There are similar levels of satisfaction among owners who have lived in their home for two or more years (81%) and those who have lived in their home for less than two years (82%).

The variation between the 2008/09 result and the target may be partially explained by a larger portion of homeowners in the survey sample with policies at all years of coverage which includes, at a minimum, 2 years on labour and materials (some limits apply), 5 years on the building envelope and 10 years on structure.

Online consumer guides on home warranty insurance and performance for new homes to be available in 2009/10 will provide consumers with more information and a better understanding of submitting claims to warranty providers.

Current results might be compared to Ontario-based Tarion Warranty Corporation: 77% of homeowners believe Tarion makes sure new home builders fulfill warranty obligations.

Result: Progress made towards meeting the target.

Performance Measures, Targets and Results

Goal Four

Provide effective research and education programs that benefit the residential construction industry and consumers

Research Results and Best Practices Disseminated Through Symposiums, Seminars or Workshops

Year	Target	Actual
2006/07	One major symposium or publication and more than 20 educational sessions delivered.	The HPO delivered more than 40 *Building Smart* education seminars during this period. The HPO was a major partner for the *From Research to Reality Building Science Symposium* in May/06. Findings from five HPO-funded research projects were presented at the *11th National Conference on Building Science* in Banff. Two research reports were published.
2007/08	One major symposium or publication and more than 20 educational sessions delivered.	Delivered more than 40 *Building Smart* education seminars. Organized the *Green Roofs and Homeowner Protection in British Columbia* Conference. Developed the Online Building Envelope Research Database in partnership with BCIT.
2008/09	**One major symposium or publication and more than 20 educational sessions delivered.**	**Delivered more than 65 *Building Smart* and code change seminars.** **Organized the HPO *Next Generation: Future of the Housing Industry in British Columbia* Conference.** **The HPO was a major partner for the BC Building Envelope Council's *Energizing the Industry* Conference in Sept/08. Findings from two HPO-funded research and education projects were presented at the conference.**
2009/10	As above	
2010/11	As above	

This measure focuses on the HPO's role in disseminating research results and helping to support the integration of new technologies and best practices in the industry through participation in major research publications, symposia, and the delivery of educational sessions or workshops.

Targets are based on recommendations received from the Provincial Advisory Council on Homeowner Protection, feedback from provincial and national research and education industry committees and the results from the Licensed Residential Builder and Building Smart surveys.

Participant evaluation of the *Building Smart* education seminars is consistently high. For *Building Smart #10 – Insulating Concrete Form (ICF) Walls in Residential Construction*, participant ratings are as follows:

- usefulness of information presented: 3.9 out of 5
- scope and relevance of materials appropriate: 4.8 out of 5, and
- knowledge and effectiveness of presenter: 4.6 out of 5.

The HPO is the secretariat and participant of the Building Research Committee of the B.C. Building Envelope Council, and is represented on national, provincial and local Canadian Home Builders' Association technical and education and training committees.

Result: Target met.

Performance Measures, Targets and Results

Goal Four | **Provide effective research and education programs that benefit the residential construction industry and consumers**

Research Results Incorporated into Building Standards and Best Practices

Year	Target	Actual
2006/07	Participation in federal and provincial processes to update the current building code, and to develop best practices and training courses.	Continued partnership with Canada Mortgage and Housing and Natural Resources Canada on the development of the *Windows Best Practice Guide*. Collaboration with provincial Building Policy Branch regarding the release of the 2006 building code. *Building Smart* educational sessions presented at building officials' educational conferences. In addition: • participation on a national Task Group on Proposed Harmonization of Window Standards for the 2010 national building code • collaboration with provincial Building Policy Branch in development of *Building Envelope Guide for Houses* publication • partnership with Building Policy Branch and Building Officials' Association of BC on the delivery of *Building Smart* educational sessions, and • release of a *Builder Insight* bulletin on poured-in-place concrete high-rise construction.
2007/08	Participation in federal and provincial processes to update the current building code, and to develop best practices and training courses.	Continued involvement on Building Code and CSA committees. In addition: • participation on national Task Group on Proposed Harmonization of Window Standards for the 2010 national building code • publication of the *Building Envelope Guide for Houses* in collaboration with Building and Safety Policy Branch • developed *BC Building Code – Single Family Dwellings* course for the Canadian Home Builders' Association of BC, and • produced a *Builder Insight* bulletin on *Changes to B.C.'s* Provincial Energy Efficiency Regulations in collaboration with the Ministry of Energy, Mines and Petroleum Resources.
2008/09	**Participation in federal and provincial processes to update the current building code, and to develop best practices and training courses.**	**Continued involvement on Building Code and CSA committees. In addition:** • **participation on the national Task Group on Radon** • **produced *Builder Insight* bulletin on greening of the BC Building Code in partnership with Building and Safety Policy Branch** • ***Building Smart and Code Change* seminars to disseminate current BC Building Code requirements as well as best practice construction details** • **funded the update of the BC Building Code course for the Canadian Home Builders' Association of BC, and** • **developed a code clarification report to Building and Safety Policy Branch.**
2009/10	As above	
2010/11	As above	

This measure looks at the effectiveness of the HPO in helping to ensure that the results of research projects are incorporated into standards, codes and best practices.

The performance measure tracks the HPO's participation on national and provincial code committees, and involvement in the development and promotion of best practices and training courses.

The target is based on feedback received from national and provincial technical advisory committees.

Major initiatives in 2008/09 included:

- commenced work on the update and expansion of the *Building Envelope Guide for Houses: Part 9 Residential Construction* in collaboration with Building and Safety Policy Branch.
- worked with industry stakeholders to identify BC Building Code issues that require clarification, and
- funded the update of the BC Building Code course for the Canadian Home Builders' Association of BC.

Resources Leveraged by the HPO Through Other Funding Partners

Year	Target	Actual
2006/07	At least twice the amount invested by the HPO leveraged through partnerships.	Contributions by partners represented 64% of total project funding.
2007/08	At least twice the amount invested by the HPO leveraged through partnerships.	Contributions by partners represented 69% of total project funding.
2008/09	**At least twice the amount invested by the HPO leveraged through partnerships.**	**Contributions by partners represented 60% of total project funding.**
2009/10	At least twice the amount invested by the HPO leveraged through partnerships.	
2010/11	At least twice the amount invested by the HPO leveraged through partnerships.	

This measure monitors the effectiveness of the HPO in leveraging additional resources for research and education initiatives with industry partners. The target is to leverage at least twice the amount invested by the HPO by the other partners for projects that were completed or underway during the fiscal year.

This target was established in 2002/03 and is based on HPO best practice standards.

Contributions by partners represented 60% of total project funding.This percentage for 2008/09 represents a decrease over the previous year.

Twenty four projects were completed or underway during the fiscal year, representing an HPO funding commitment of approximately $390,000. Our partners committed an additional $600,000 to these projects for a total financial commitment of approximately $990,000.

Major funding partners in 2008/09 include:

- Canada Mortgage and Housing Corporation
- Building and Safety Policy Branch
- Canadian Home Builders' Association of BC
- BC Ready-Mixed Concrete Association
- British Columbia Institute of Technology
- City of Vancouver
- Residential Construction Industry Training Organization
- RDH Building Engineering Ltd.
- Terasen Gas, and
- BC Hydro.

The variance between the target and the result may be explained by the HPO taking on more projects in which partnering does not regularly occur. Also there is less funding currently available in the industry.

The HPO continues partnering with industry, consumer groups, educational institutions and other levels of government to leverage additional resources and expertise for these initiatives.

Result: Target not met.

Performance Measures, Targets and Results

Goal Five

An Aligned, Focused and Capable Organization

Timeliness of Decisions on Completed License Applications

Year	Target	Actual
2002/03	5 business days or less	3.1 business days
2003/04	5 business days or less	3.6 business days
2004/05	3 business days or less	3.1 business days
2005/06	3 business days or less	2.7 business days
2006/07	3 business days or less	2.9 business days
2007/08	3 business days or less	2.8 business days
2008/09	**3 business days or less**	**1.4 business days**
2009/10	3 business days or less	
20010/11	3 business days or less	

This is a measure of the HPO's responsiveness in making residential builder and building envelope renovator licensing decisions for new, completed applications. Specific targets are set to ensure that HPO licensing decisions are made quickly, thus avoiding unnecessary and potentially costly delays for residential builders. Data is obtained through the Licence Information Management System database.

An average of 1.4 business days in 2008/09 representing a significant decrease compared to an average of 2.8 business days in the previous year.

The licensing approval process involves verification of company information, acceptance with a home warranty insurance provider, and review of past residential construction activity.

The HPO's licensing approval process compares well with similar organizations:

- Washington state contractor registration – two to four weeks
- Oregon Construction Contractors Board – 10 business days for mailed applications
- Tarion Warranty Corporation (Ontario) builder registration – two to four weeks
- Business Practices and Consumer Protection Authority of British Columbia home inspector licensing – typically three weeks.

Result: Target met.

Timeliness of Decisions on Completed Homeowner Applications for the Reconstruction Program

Year	Target	Actual
2005/06	Establish baseline, set targets	8.2 business days
2006/07	10 business days or less	7.1 business days
2007/08	10 business days or less	8.5 business days
2008/09	**9 business days or less**	**7.1 business days**
2009/10	8 business days or less	
2010/11	8 business days or less	

This is a measure of the average number of business days required to make decisions on completed applications by homeowners for the Reconstruction Program. Data is obtained from the HPO's loans database.

The baseline average was calculated at 8.2 business days in 2005/06 representing a total of 907 loan applications reviewed. In 2008/09, an average of 7.1 business days represents a decrease compared to 2007/08. The application process involves verification that the proposed building envelope repairs fall under the guidelines of the program, review of individual applications to determine eligibility for financial assistance, and establishment of a mutually agreeable repayment schedule for the loan.

The HPO's results compare very well to the Student Aid BC program of the Ministry of Advanced Education and Labour Market Development which has a decision processing time of 4-6 weeks.

Result: Target met.

Timeliness of License Renewal Decisions

Year	Target	Actual
2007/08	Establish baseline	3.5 business days
2008/09	**3 or less business days**	**3.0 business days**
2009/10	3 or less business days	
2010/11	3 or less business days	

This is a measure of the HPO's responsiveness in processing complete license renewal applications and, along with the existing measure on the timeliness of decisions on completed license applications, gauges the HPO's effectiveness in making residential builder licensing decisions for both new applications and renewals. Data is obtained through the Licence Information Management System database.

The baseline average was calculated at 3.5 business days in 2007/08. In 2008/09, an average of 3.0 business days represents a decrease compared to the baseline of 3.5 business days.

The licensing renewal process involves verification of company information, acceptance with a home warranty insurance provider, and review of past residential construction activity.

Result: Target met.

Timeliness of Decisions on Owner Builder Authorizations

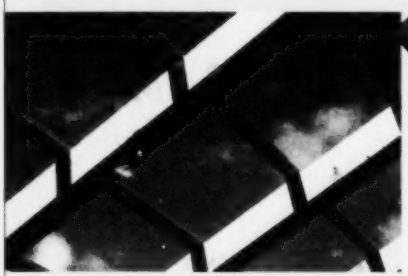
Year	Target	Actual
2007/08	Not measured	–
2008/09	**Establish baseline**	**7.5 business days**
2009/10	Set target	
2010/11	Target met	

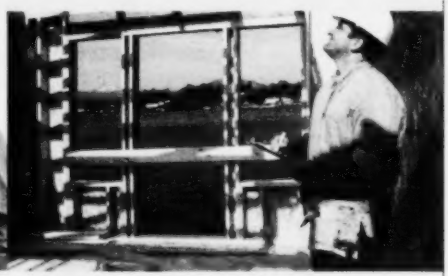
This new measure, introduced in the 2008-2011 Service Plan, has been added as a result of the introduction of an owner builder authorization process and fee in 2007, and will measure the HPO's responsiveness in providing authorizations to eligible owner builders. Data is obtained through the Licence Information Management System database.

The baseline established in 2008/09 is 7.5 business days.

The HPO's results compare well to the "Builders Licensing Australia, Workplace Standards Tasmania" owner builder decision processing time of 14 days.

Result: Performance not measured in 2008/09; will be measured and reported in 2009/10.





Performance Measurement Systems

Survey of Licensed Residential Builders

The biennial survey of Licensed Residential Builders is the data source for several key performance measures. Carried out by a market research firm, the builder survey is a self-administered questionnaire sent to all Licensed Residential Builders in British Columbia. The response of 1,169 builders in the 2007/08 survey provides a confidence level of 95% with a maximum margin of error of ±2.9%. The response of 1,094 builders in the 2005/2006 survey provides a confidence level of 95% with a maximum margin of error of ±3.0%.

Consumer Survey

The biennial consumer survey is the data source for several key performance measures. Carried out by a market research firm, the survey includes two separate groups of consumers:

1. homeowners with warranty insurance under the *Homeowner Protection Act* on their home, and
2. prospective buyers of new homes in British Columbia.

The 2008/09 consumer survey included 400 telephone interviews with randomly selected owners of homes with warranty insurance. A total of 621 surveys were carried out for prospective new home buyers (i.e. intending to purchase a home with warranty insurance over the next year), 521 of which were conducted online and 100 conducted by telephone. At the 95% confidence level, the survey has a province-wide statistical reliability of ± 4.9% for current homeowners and ± 3.9% for prospective new home buyers.

Description of Performance Measures

Builder satisfaction with licensing system – This measure tracks Licensed Residential Builder satisfaction with the HPO licensing system. Builder satisfaction is tracked through the biennial survey of all licensed builders. Subcomponents of satisfaction being tracked include: fairness of the rules/requirements, application and renewal process, and timeliness of licensing decisions.

Builders' rating of the effectiveness of the HPO's compliance efforts to monitor and enforce licensing and home warranty insurance requirements and the owner builder exemption – The HPO carries out compliance activities to ensure that all new homes in British Columbia are built in keeping with the licensing, warranty insurance and owner builder exemption provisions of the *Homeowner Protection Act*. Licensed builders rate the effectiveness of the compliance efforts through the biennial survey. The target for 2009/10 was adjusted from 77% to 75% in the Service Plan 2009-2012. The compliance related changes to the *Act*/Regulations are still new (November 19, 2007) and more time is needed for any perception change to be measured.

Homebuyer awareness of consumer protections under the *Homeowner Protection Act* – This measure tracks buyers of new homes' awareness of the consumer protection measures in place in British Columbia, specifically licensing of residential builders and warranty insurance requirements. Data for this measure is collected through the biennial survey of prospective buyers of new homes. It should be noted that data for 2006/07 is based on the results of the telephone survey (100 respondents).

Homeowner satisfaction with warranty insurance on their home – This measure tracks homeowner satisfaction with the protection provided by warranty insurance on their new home. This measure is included under Goal 2: Informed and Protected Consumers and Goal 3: Continued Viability of the Home Warranty Insurance System as it is a valid indicator for both measures. Data for this measure is obtained through the biennial survey of owners of new homes with home warranty insurance. The 2008/09 target was adjusted from 90% to 85% in the Service Plan 2009-2012. A significant increase is less likely prior to the forthcoming 2009/10 introduction of the consumer guides.

Homeowner satisfaction with the quality of home construction – This measure tracks homeowner satisfaction with the quality of the construction of their home. Data for this measure is obtained through the biennial survey of owners of new homes with warranty insurance.

Homeowner satisfaction with the building process – This measure tracks homeowner satisfaction with the building process for their new home. Data for this measure is obtained through the biennial survey of owners of new homes with warranty insurance.

Performance Measurement Systems

Recovery of homes' values following building envelope renovation – This measure, tracked annually, monitors the improvement of assessed values of homes with repair loans following the completion of building envelope renovations. The measure was calculated as the percentage of homes in the HPO's Reconstruction Program with completed repairs whose assessed values have increased by an amount equal to or greater than the cost of repairs.

As noted in the 2008-2011 Service Plan, this performance measure has now been discontinued. The rationale for this is that the measured results are not directly attributable to the activities of the HPO. In addition, increases in the real estate values had been such that the recovery of home values had reached nearly one hundred percent for the past several years.

Reconstruction loan default rate – This measure, performed on an annual basis, tracks the effectiveness of the Reconstruction Program in helping to ensure that homeowners can avoid losing their homes as a result of building envelope renovation costs. The data used for this measure is the number of loan defaults among homeowners with reconstruction loans, and is benchmarked against residential mortgage default rates in British Columbia.

Homes with warranty insurance claims – This measure is an indicator of the quality of residential construction in B.C. as reflected in the number of claims made by homeowners for repairs under home warranty insurance. As noted in the 2008-2011 Service Plan, this performance measure has been discontinued. It has been replaced with a new measure "Percentage of home warranty insurance claims that have been resolved by the builder or warranty provider."

Percentage of home warranty insurance claims that have been resolved by builder or warranty provider – This new measure will address some of the limitations associated with the former measure.

Builder rating of their overall relationship with their warranty provider – This measure tracks the licensed builders' rating of their overall relationship with their warranty provider. Builder ratings are tracked through the biennial survey of all licensed builders. Subcomponents of this measure being tracked include: ease of the application process for coverage, cost of the warranty insurance and handling of complaints or claims from consumers.

Research results disseminated – Recognizing the HPO's role of ensuring that research results and best practices are disseminated to industry and consumers, this measure focuses on the HPO's participation in major research symposia or development of publications, and the delivery of educational sessions. Prior to 2005/06, targets for this measure have been for two-year periods. Beginning in the 2006/07, targets have been set on an annual basis.

Research results incorporated into building standards and best practices – This measure estimates the effectiveness of the HPO in ensuring that results of research projects are incorporated into standards, codes and best practices. The performance measure tracks the HPO's participation and input into the national and provincial code development process, and involvement in the development of best practice guides and training courses.

Leveraging of additional research and education funding – This measure monitors the effectiveness of the HPO in leveraging additional resources for research and education initiatives with industry partners. The target is to leverage at least twice the amount invested by the HPO from other partners for active research and education projects.

Timeliness of decisions on completed license applications – This is a measure of the HPO's responsiveness in making residential builder and building envelope renovator licensing decisions on completed applications for new licences. Specific targets are set to ensure that HPO licensing decisions are made expeditiously, thus avoiding unnecessary and potentially costly delays for residential builders.

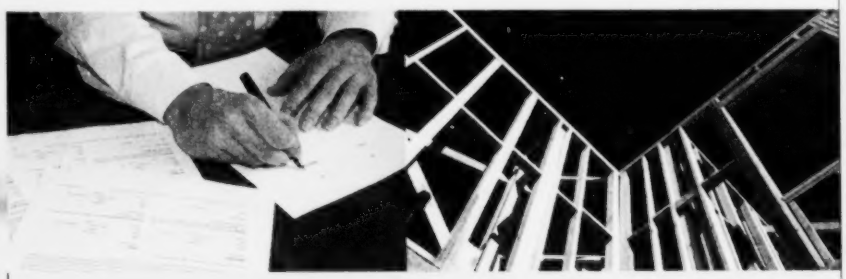
Timeliness of decisions on completed homeowner applications for the Reconstruction Program – This is a measure of the HPO's responsiveness in making decisions on completed homeowner Reconstruction Program applications for financial assistance.

Timeliness of license renewal decisions – This new measure was introduced in the 2008-2011 Service Plan. Along with the existing measure on the timeliness of decisions on completed license applications, this measure will more fully gauge the HPO's effectiveness in making builder licensing decisions for both new applications and renewals.

Timeliness of decisions on Owner Builder Authorizations – This new measure has been added as a result of the introduction of the Owner Builder Authorization requirement and fee in 2007 and will measure the HPO's responsiveness in providing authorizations to eligible owner builders.

Progress in Respect to Shareholder's Letter of Expectations

The Shareholder's Letter of Expectations serves as a basis of agreement and understanding between the government and the HPO.



The current Shareholder's Letter of Expectations can be viewed on the "About HPO/ Governance"page of the HPO website at www.hpo.bc.ca

The Shareholder's Letter of Expectations is a major component of the governance framework which provides direction from government to the Homeowner Protection Office. It provides the basis for mutual understanding and agreement between the Shareholder (the Government of British Columbia) and the HPO on high-level performance expectations, public policy issues and strategic policies.

As set out in the Shareholder's Letter of Expectations, the HPO's priority is to fulfill the government's commitment to strengthen consumer protection for buyers of new homes, help improve the quality of residential construction in the province and provide financial assistance to eligible owners of water-damaged homes. This is achieved by ensuring effective planning for, and management and delivery of, programs and services as set out in the HPO's 2008/09 budget and the HPO's 2008-2011 Service Plan.

In addition the HPO has made progress toward government's direction in the Shareholder's Letter of Expectations as follows:

Specific Direction Given to the HPO from Government	HPO's Actions in 2008/09
Focus research and education programs in the integration of new building technologies that support quality and cost effective residential construction	• Developed and delivered seminars on windows, insulating concrete walls, Building Code changes and airtightness • Published bulletins on energy efficiency impacts for builders and rainscreen walls • Hosted the *Next Generation: Future of the Housing Industry in British Columbia* conference • Participated in the planning and presentations of the B.C. Building Envelope Councils' conference entitled *Energizing the Industry* • Building science and best practice research studies underway and completed: see the text box on page 12 in the Research and Education section for details • Developed framework for the Housing Futures Funding Program
Make recommendations to the Shareholder for the implementation of mandatory competencies for licensees under the *Homeowner Protection Act*	Through the HPO's collaborative process, an industry task group has completed their recommendations for a new system of qualifications for licensees which includes core competencies for different categories of licences, educational benchmarks, training programs and professional development
Addressing climate change: HPO to be carbon neutral by 2010	Initiatives included: • Review of existing server equipment completed • New orders for 8½" x 11" white bond paper specify 100% recycled content • Office recycling program • Owner builder authorizations, event registration and publication sales moved to web platform. Progress toward introducing new home registration online • Planning for the launch of an HPO green team completed

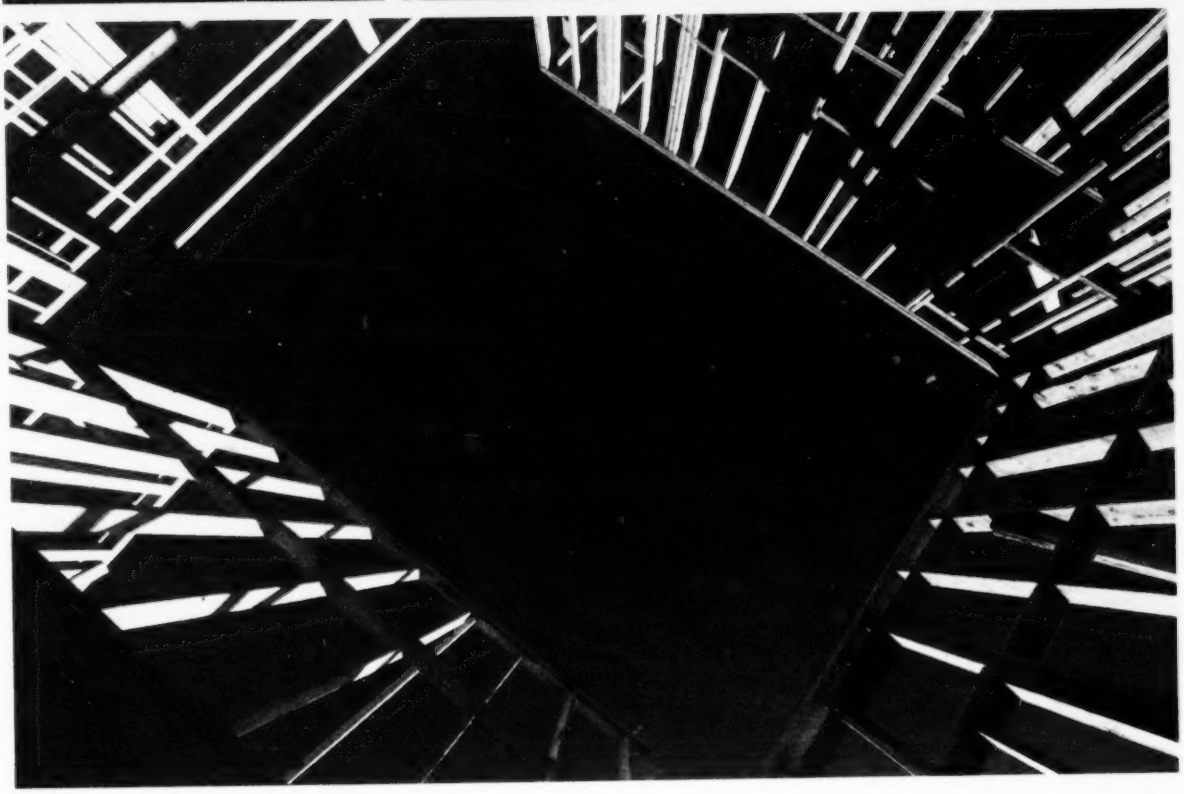
Glossary of Terms

Building envelope	the assemblies, components and materials of a building that are intended to separate and protect the interior space of the building from the adverse effects of exterior climatic conditions.
Building envelope failure	deterioration of the building envelope assembly resulting from environmental factors including airflow, radiant energy, water vapour, rain and snow.
Building envelope renovation	construction work on a residential building to: 1. repair defects in the building envelope which allow unintended water penetration, or 2. repair damage caused by unintended water penetration.
Building envelope renovator	a residential renovator who is licensed under Part 1 of the *Homeowner Protection Act* to engage in, arrange for or manage all, or substantially all, of a building envelope renovation.
Futures Report	a document containing the HPO Board of Directors' recommendations for the future of the *Homeowner Protection Act* and regulations as well as the Homeowner Protection Office.
Loans approved	a classification of loan status indicating that a loan to an eligible homeowner for repairs of a water-damaged home has been approved by the HPO.
Loans issued	a classification of loan status indicating that mortgage instructions have been released by the HPO for execution and registration at the BC Land Titles Office, with funds subsequently released on completion of the registration of the mortgage charge against the title.
Owner builder	an individual who is exempt from the *Homeowner Protection Act*'s licensing and home warranty insurance requirements in order to build a detached or single self-contained dwelling unit for personal use.
Residential builder	a person who engages in, arranges for or manages all, or substantially all, of the construction of a new home, and includes a developer and a general contractor.
Warranty claims covered	warranty insurance claims that result in a warranty provider evaluating the claim in keeping with Schedule 2, Section 3(2) of BC Regulation 29/99 and the determination is that the claim is valid.
Warranty claims resolved by builder	warranty insurance claims where the original builder has completed the required repairs on behalf of the warranty provider.

Homeowner
Protection Office

Financial Report

March 31, 2009



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PO Box 11132 Royal Centre
Suite 2270
1055 West Georgia St
Vancouver BC V6E 3P3
Canada

Telephone: 604 646 7050
Facsimile: 604 646 7051
Toll-free: 1 800 407 7757
Website: www.hpo.bc.ca
Email: hpo@hpo.bc.ca

Management Discussion and Analysis

Overview

Revenues collected from residential builder license fees and owner builders provide the funding for the Homeowner Protection Office's (HPO) programs with the exception of the Reconstruction Program and the PST (Provincial Sales Tax) Relief Grant Program. The Reconstruction Program is funded by a reconstruction fee, which is applied on each new residential unit in multi-unit buildings constructed in the coastal climatic zone. When demand for financial assistance is greater than the revenues collected from the reconstruction fee, the HPO receives bridge financing from the Province of British Columbia (Province). The HPO is required to repay any borrowings obtained through bridge financing over time. The PST Relief Grant Program is administered by the HPO on behalf of the Province. The Province funds all expenditures under this program.

The B.C. residential construction market in which the HPO operates weakened significantly in the latter half of the 2008-09 fiscal year. The total of new homes enrolled in warranty insurance decreased in 2008-09 mainly due to the decline in the number of new, multi-unit homes constructed, which directly affected the revenue flow for the Reconstruction Program. This decline resulted in a significant drop in revenues and decreased the ability of the HPO to meet all current financial assistance demand in the current year.

Revenues from licensed residential builders and owner builders were not significantly impacted in the current year. Many builders continued to renew their licences and build single detached homes. As well, owner builder activity was not significantly impacted.

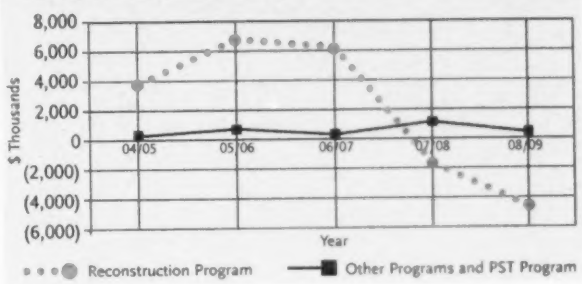
Management Discussion and Analysis

Net Operating Results

Net operating results continued to reflect a deficiency of program revenues over expenditures in the Reconstruction Program. This deficiency increased over last year due to the significant drop in the construction of new, multi-unit homes that attract a reconstruction fee while demand for financial assistance remained strong. (See Graph 1: Net Operating Results)

Other programs, including the PST Relief Grant Program, continued to operate within the available program resources and maintained an operating surplus. (See Graph 1: Net Operating Results)

Graph 1: Net Operating Results

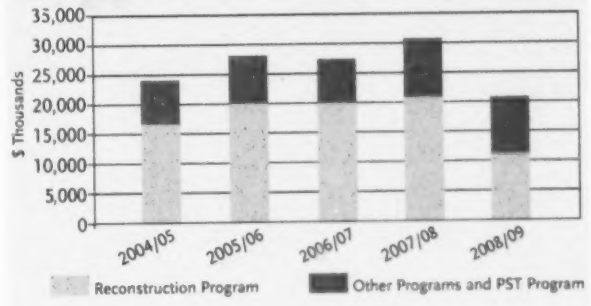


Revenues and Expenditures

Revenues – Summary Level

Total revenues are down significantly over last year as revenues in most categories declined due to the drop in new home construction. The revenues in the Reconstruction Program experienced the greatest decline, as the Program is heavily reliant on reconstruction fees. The revenues in Other Programs, including the PST Relief Grant Program did not experience a sharp decline. (See Graph 2: Revenues – Summary Level)

Graph 2: Revenues – Summary Level

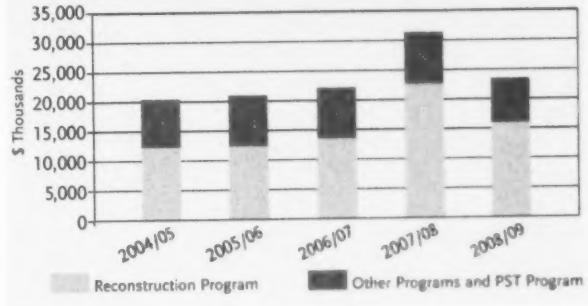


Expenditures – Summary Level

Total expenditures are down over last year as program expenditures were adjusted downward during the year. In the Reconstruction Program, expenditures were held to within the approved operating deficit level.

In Other Programs, the expenditure levels were within the level of expenditure range over the past four years, as expenditures are managed within available revenues. (See Graph 3: Expenditures – Summary Level)

Graph 3: Expenditures – Summary Level



Management Discussion and Analysis

Revenues and Expenditures – Summary Level

Significant change occurred between the actual operating results and budget as the budget was based on a slowing housing market. The weakening economic conditions and tightening of the credit markets affected the number of multi-unit building starts as projects were put on hold. This resulted in a substantial drop in the number of multi-unit building starts and a corresponding drop in the reconstruction fee revenues. License and exemption fee revenues were not impacted significantly and remained within the expected range. Provincial contributions towards the PST Relief Grant Program are down as fewer applications were received from eligible homeowners who completed reconstruction projects. As revenues declined, adjustments in expenditures were made which resulted in a reduction or delay in program expenditures. This resulted in an overall decrease in the actual expenditures by 28 percent when compared to budgeted expenditures. (See Table 1: Revenues and Expenditures – Summary Level)

Table 1: Revenues and Expenditures – Summary Level

	Actual 2008/2009 ($000's)	Actual % change to actual over last year	**Budget 2008/2009 ($000's)**	Actual % change to budget 2008/2009	**2007/2008 ($000's)**	% change over last year	**2006/2007 ($000's)**	% change over last year	**2005/2006 ($000's)**	% change over last year	**2004/2005 ($000's)**
Revenues											
Reconstruction fees	**5,869**	(63.0)	**15,000**	(60.9)	**15,863**	(1.7)	**16,131**	7.1	**15,065**	18.9	**12,675**
License fees	**4,726**	3.6	**5,157**	(8.4)	**4,560**	29.3	**3,527**	1.5	**3,476**	13.9	**3,051**
Provincial contributions	**2,091**	(38.2)	**4,000**	(47.7)	**3,386**	37.1	**2,470**	(21.5)	**3,146**	(7.4)	**3,396**
Interest and other	**406**	(7.3)	**216**	88.0	**438**	59.9	**274**	28.6	**213**	21.0	**176**
Loan discount recoveries	**7,015**	5.9	**4,239**	65.5	**6,624**	12.6	**5,883**	(11.8)	**6,669**	18.2	**5,642**
Total Revenues	**20,107**	(34.9)	**28,612**	(29.7)	**30,871**	9.1	**28,285**	(1.0)	**28,569**	14.6	**24,940**
Expenditures											
Reconstruction loan grants	**9,543**	(37.3)	**12,330**	(22.6)	**15,231**	87.5	**8,125**	(12.6)	**9,296**	13.3	**8,208**
Interest subsidy	**5,512**	(17.4)	**7,839**	(29.7)	**6,677**	10.4	**6,046**	23.0	**4,914**	12.4	**4,370**
Salaries and benefits	**2,823**	5.5	**2,906**	(2.9)	**2,677**	5.9	**2,527**	(0.8)	**2,548**	14.6	**2,224**
Operating	**2,314**	(1.9)	**2,870**	(19.4)	**2,359**	23.7	**1,907**	(2.0)	**1,946**	16.5	**1,671**
PST Relief Grants	**1,959**	(39.2)	**3,875**	(49.4)	**3,221**	37.9	**2,336**	(18.7)	**2,874**	(12.1)	**3,271**
Interest and fees	**1,398**	(12.4)	**2,724**	(48.7)	**1,596**	21.9	**1,309**	46.1	**896**	33.3	**672**
Research and Education	**423**	78.5	**865**	(51.1)	**237**	(28.0)	**329**	126.9	**145**	(5.2)	**153**
Loan loss provision	**104**	126.9	-	100.0	**(387)**	52.2	**(810)**	31.3	**(1,179)**	(499.7)	**295**
Total Expenditures	**24,076**	(23.8)	**33,409**	(27.9)	**31,611**	45.2	**21,769**	1.5	**21,440**	2.8	**20,864**
Net (loss) income	**(3,969)**	(436.4)	**(4,797)**	17.3	**(740)**	(111.4)	**6,516**	(8.6)	**7,129**	74.9	**4,076**

The most significant change on a percentage basis that occurred between the actual operating results and budget was in the PST Relief Grant Program. Grants fell significantly due to the receipt of fewer grant applications. As the program is fully funded by the Province, the reimbursements for grants made on behalf of the Province (Provincial contributions) are also down significantly. General program expenditures were adjusted to fall within the available revenues. (See Table 2: Revenues and Expenditures – Other Programs and PST Relief Grant Program)

Table 2: Revenues and Expenditures – Other Programs and PST Relief Grant Program

	Actual 2008/2009 ($000's)	Actual % change to actual over last year	**Budget 2008/2009 ($000's)**	Actual % change to budget 2008/2009	**2007/2008 ($000's)**	% change over last year	**2006/2007 ($000's)**	% change over last year	**2005/2006 ($000's)**	% change over last year	**2004/2005 ($000's)**
Revenues											
License fees	**4,726**	3.6	**5,157**	(8.4)	**4,560**	29.3	**3,527**	1.5	**3,476**	13.9	**3,051**
Provincial contributions	**2,091**	(38.2)	**4,000**	(47.7)	**3,386**	37.1	**2,470**	(21.5)	**3,146**	(7.4)	**3,396**
Interest and other	**335**	139	**88**	280.7	**294**	69.9	**173**	127.6	**76**	15.2	**66**
Total Revenues	**7,152**	(13.2)	**9,245**	(22.6)	**8,240**	33.5	**6,170**	(7.9)	**6,698**	2.8	**6,513**
Expenditures											
Salaries and benefits	**2,389**	9.9	**2,432**	(1.8)	**2,174**	8.2	**2,009**	(1.7)	**2,043**	10.6	**1,847**
PST Relief Grants	**1,959**	(39.2)	**3,875**	(49.4)	**3,221**	37.9	**2,336**	(18.7)	**2,874**	(12.1)	**3,271**
Operating	**1,867**	21.0	**2,073**	(9.9)	**1,543**	29.1	**1,195**	(6.7)	**1,281**	18.3	**1,083**
Research and Education	**423**	78.5	**865**	(51.1)	**237**	(28.0)	**329**	126.9	**145**	(5.2)	**153**
Total Expenditures	**6,638**	(7.5)	**9,245**	(28.2)	**7,175**	22.3	**5,869**	(7.5)	**6,343**	(0.2)	**6,354**
Net Income	**514**	(51.7)	-	100.0	**1,065**	253.8	**301**	(15.2)	**355**	123.3	**159**

Management Discussion and Analysis

A significant change occurred in the Reconstruction Program revenue stream as the construction of multi-unit buildings came off previous highs and fell significantly below the five-year average. This had a major impact on the HPO's ability to meet all of the current demand for financial assistance. The Reconstruction Program expenditures were held to within approved budgetary levels. (See Table 3: Revenues and Expenditures – Reconstruction Program)

Table 3: Revenues and Expenditures – Reconstruction Program

	Actual 2008/2009 ($000's)	Actual % change to actual over last year	Budget 2008/2009 ($000's)	Actual % change to budget 2008/2009	2007/2008 ($000's)	% change over last year	2006/2007 ($000's)	% change over last year	2005/2006 ($000's)	% change over last year	2004/2005 ($000's)
Revenues											
Reconstruction fees	**5,869**	(63.0)	**15,000**	(60.9)	**15,863**	(1.7)	**16,131**	7.1	**15,065**	18.9	**12,675**
Interest and other	**71**	(50.7)	**128**	(44.5)	**144**	42.6	**101**	(26.3)	**137**	23.4	**111**
Loan discount recoveries	**7,015**	5.9	**4,239**	65.5	**6,624**	12.6	**5,883**	(11.8)	**6,669**	18.2	**5,641**
Total Revenues	**12,955**	(42.8)	**19,367**	(33.1)	**22,631**	2.3	**22,115**	1.1	**21,871**	18.7	**18,427**
Expenditures											
Reconstruction loan grants	**9,543**	(37.3)	**12,330**	(22.6)	**15,231**	87.5	**8,125**	(12.6)	**9,296**	13.3	**8,208**
Interest subsidy	**5,512**	(17.4)	**7,839**	(29.7)	**6,677**	10.4	**6,046**	23.0	**4,914**	12.4	**4,370**
Interest and fees	**1,350**	(12.6)	**2,724**	(50.4)	**1,545**	21.4	**1,273**	48.0	**860**	33.5	**644**
Salaries and benefits	**434**	(13.7)	**474**	(8.4)	**503**	(2.9)	**518**	2.6	**505**	34.0	**377**
Operating	**495**	(42.9)	**797**	(37.9)	**867**	15.9	**748**	6.7	**701**	13.8	**616**
Loan loss provision	**104**	126.9	-	100.0	**(387)**	52.2	**(810)**	31.3	**(1,179)**	(499.7)	**295**
Total Expenditures	**17,438**	(28.6)	**24,164**	(27.8)	**24,436**	53.7	**15,900**	5.3	**15,097**	4.0	**14,510**
Net (loss) Income	**(4,483)**	(148.4)	**(4,797)**	6.5	**(1,805)**	(129.0)	**6,215**	(8.3)	**6,774**	72.9	**3,917**

Approved Reconstruction Loans

Approved loans are down over last year as the HPO was unable to meet all the demand for financial assistance due to significant increases in the average loan value. (See Table 5: Average Annual Value Per Unit of Issued Reconstruction Loans)

The proportion of loans funded directly by the HPO increased slightly from 52% in 2007-08 to 57% in 2008-09 as more eligible homeowners qualified for HPO financing. This proportion will change from time-to-time depending upon the economic conditions and value of reconstruction repair assessments. The HPO continues to provide financial assistance to housing co-operatives with loan commitment letters already in place. However, the HPO has stopped making new commitments for financial assistance for repairs to federally funded housing co-operative projects in British Columbia. The federal government continues its responsibility for repairs to federally funded co-operative housing projects. The repair value for the housing co-operative repair program as of March 31, 2009 was $149,750,000 for a total of 39 projects (2,045 units). (See Table 4: Number of Approved Reconstruction Loans)

Table 4: Number of Approved Reconstruction Loans (Expressed in Units)									
	2008/2009	% Change over last year	2007/2008*	% Change over last year	2006/2007	% Change over last year	2005/2006	% Change over last year	2004/2005
HPO mortgages and deferred payment loans	243	(52.4)	511	(11.1)	575	39.9	411	3.0	399
Financial institutions no-interest loans	171	(57.7)	404	(31.1)	586	38.5	423	(40.7)	713
Total HPO and financial institutions loans	414	(54.8)	915	(21.2)	1,161	39.2	834	(25.0)	1,112
Total housing co-op repair loans administered through CMHC	-	(100.0)	151	(66.4)	449	349.0	100	(57.8)	237

*In the 2007/08 annual report, the number of approved loans was inadvertently reported for issued and non-issued loans rather than approved loans. These numbers have been replaced with the number of approved loans.

Average Annual Value Per Unit of Issued Reconstruction Loans

The average value of the total issued loan amounts, excluding co-operative repair loans, increased on average in excess of 30% this year from last year as reconstruction costs for approved repair projects increased. Reconstruction costs tend to be higher than general construction costs and are also a reflection of the state of the building envelope under repair. Although general construction costs decreased in the latter half of the 2008-09 fiscal year, any decrease in reconstruction costs for repair loans would not be reflected in the loans issued in 2008-09 due to the long lead-time to construction. (See Table 5: Average Annual Value Per Unit of Issued Reconstruction Loans)

Table 5: Average Annual Value Per Unit of Issued Reconstruction Loans									
	2008/2009	% Change over last year	2007/2008	% Change over last year	2006/2007	% Change over last year	2005/2006	% Change over last year	2004/2005
HPO mortgages	$ 88,276	20.2	$ 73,421	25.1	$ 58,710	(1.6)	$ 59,658	25.9	$ 47,393
HPO deferred payment loans	$ 78,524	32.8	$ 59,131	20.6	$ 49,045	(3.5)	$ 50,823	11.7	$ 45,509
Financial institutions no-interest mortgages	$ 84,298	41.4	$ 59,616	16.6	$ 51,129	(0.8)	$ 51,558	21.6	$ 42,411

Interest Subsidy Costs

Interest paid on mortgages held by financial institutions is based on the bank's prime lending rate. The annual prime-lending rate in 2008-09 averaged 4.04% for the fiscal year, with a high of 4.75% and a low of 2.50%. The steady decrease in bank prime lending rates affects the HPO's interest subsidy expense resulting in lower interest costs. The decrease in the interest subsidy is also attributable to a decrease in total value of loans issued in 2008-09.

Interest is paid on housing co-operative loan advances made during the repair period at a construction floating rate set by CMHC. At March 31, 2009, the CMHC construction floating rate was 0.64%. On completion of the repairs, the interest rate is set by CMHC at an interest rate equal to the bid yield of a five-year Government of Canada benchmark bond with approximately five years remaining in its term plus not more than 0.75%. On a year-to-date basis, interest rates for post-interest adjustment dates range from a low of 3.71% to a high of 4.79%. (See Table 6: Interest Subsidy Costs)

Table 6: Interest Subsidy Costs									
	2008/2009 ($000's)	% Change over last year	2007/2008 ($000's)	% Change over last year	2006/2007 ($000's)	% Change over last year	2005/2006 ($000's)	% Change over last year	2004/2005 ($000's)
Financial institutions	**3,215**	(32.7)	**4,777**	3.3	**4,625**	15.0	**4,021**	8.7	**3,700**
CMHC for housing co-operative loans	**2,297**	20.9	**1,900**	33.7	**1,421**	59.1	**893**	33.3	**670**
Total interest subsidy cost	**5,512**	(17.4)	**6,677**	10.4	**6,046**	23.0	**4,914**	12.4	**4,370**

Short-term Debt

Funds for repair loans advanced throughout the year on behalf of eligible homeowners continued to exceed the incoming funds to operate the Reconstruction Program. This resulted in increased short-term borrowing from the Province by the HPO throughout the year bringing the total cumulative debt obligation to the Province to $68 million as at March 31st, 2009, up from $53.5 million at the same time last year. The total current cumulative debt obligation includes accrued interest of $0.4 million. At the end of March 2009, the weighted average cost of borrowing was 1.64%. It is anticipated that the HPO will repay the bridge financing loans provided by the Province over time with incoming funds from loan repayments and reconstruction fees collected in the ensuing years. (See Table 7: Short-term Debt Due to the Province.)

Table 7: Short-term Debt Due to the Province									
	2008/2009 ($000's)	% Change over last year	2007/2008 ($000's)	% Change over last year	2006/2007 ($000's)	% Change over last year	2005/2006 ($000's)	% Change over last year	2004/2005 ($000's)
Balance outstanding on March 31st	**68,003**	27.3	**53,400**	53.5	**34,780**	9.3	**31,816**	12.1	**28,388**

Retained Earnings

Retained earnings of the HPO decreased from $18.7 million in 2007-08 to $14.7 million in 2008-09 mainly due to a deficiency of revenues over expenditures in the Reconstruction Program. (See Table 8: Retained Earnings)

Table 8: Retained Earnings									
	2008/2009 ($000's)	% Change over last year	2007/2008 ($000's)	% Change over last year	2006/2007 ($000's)	% Change over last year	2005/2006 ($000's)	% Change over last year	2004/2005 ($000's)
Retained Earnings	**14,705**	(21.3)	**18,674**	(3.8)	**19,414**	50.5	**12,898**	123.6	**5,769**

Full-time Equivalents of Staff Resources

HPO reduced its full-time equivalents of staff resources as a result of targeted reductions in expenditures in response to declining revenues. These reductions were achieved through attrition and not filling vacancies. (See Table 9: Full-time Equivalents of Staff Resources)

Table 9: Full-time Equivalents of Staff Resources											
	Actual 2008/2009	Actual % change to actual over last year	**Budget 2008/2009**	Actual % change to budget 2008/2009	**2007/2008**	% change over last year	**2006/2007**	% change over last year	**2005/2006**	% change over last year	**2004/2005**
Full-time equivalents	**33**	(5.7)	**42**	(21.4)	**35**	-	**35**	-	**35**	2.9	**34**

Future Expectations

HPO expects a continuing softening of the housing market, with only a modest pick up in the construction of new multi-unit buildings in 2010 due to the current economic conditions. As the existing supply of housing units is absorbed and capital becomes more readily available, it is expected that the construction of multi-unit buildings put on hold will resume. While existing builders will continue to renew their licences, it is expected that new builders will not be entering the residential construction market at the same pace as in recent years. Low interest rates will positively affect the interest costs in the Reconstruction Program as interest subsidy costs are a significant proportion of the Program's overall costs. While general construction costs are expected to drop, reconstruction costs will not experience a similar drop as these repair costs are generally higher than new construction costs.

Consumer confidence will continue to be a key factor in the health of British Columbia's market housing industry. The expected level of new housing development, while lower than in previous years, will provide sufficient revenue to enable the HPO to continue to promote consumer protection through licensing, research and education and encouraging the viability of the home warranty insurance system.

Sensitivity and Impact on Future Operating Budgets

HPO programs are sensitive to changes in the housing market. The Office is dependent upon revenues from new home construction to deliver programs. When a decrease in these revenues occurs, program delivery is adjusted to fit within available resources. When revenues increase, program delivery is expanded. This results in variability of service levels. These programs are managed to ensure that deficits do not occur.

The Reconstruction Program is largely dependent upon revenues from a reconstruction fee, which is applied to all new multi-unit homes constructed in the coastal climatic zone. When construction levels decline in this segment of the housing market, a deficiency of revenues over expenditures occurs. The Program is also sensitive to interest rate changes as the program is dependent upon bridge financing from the Province and has outstanding short-term debt. Rate increases result in higher borrowing costs and an increase in interest subsidy costs. Changes in reconstruction costs also affect the Program expenditures; in periods of rising reconstruction costs, program expenditures rise. Under these circumstances, as the Program continues to provide financial assistance, increases in deficits occur. (See Table 10: Surplus (Deficit) for the next three years)

Table 10: Surplus (Deficit) for the Next Three Years			
	2009/2010 ($000's)	**2010/2011 ($000's)**	**2011/2012 ($000's)**
Surplus (Deficit by Program):			
Other Programs	790	806	803
Reconstruction Program	(8,434)	(13,721)	(7,786)
Surplus (Deficit) – Summary Level	(7,644)	(12,915)	(6,983)

Statement of Management Responsibility

The financial statements and all other information contained in the Annual Report are the responsibility of management and have been approved by the Board of Directors.

The financial statements of the Homeowner Protection Office (HPO) have been prepared by management in accordance with Canadian generally accepted accounting principles, consistently applied and appropriate in the circumstances. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in the notes to financial statements.

Management depends upon a system of internal controls that provide reasonable assurance, on a cost-effective basis, that the financial information is reliable and accurate. The HPO's external auditors independently perform such tests of the system of internal controls, as they consider necessary for the purpose of expressing their opinion on the financial statements.

The Audit and Finance Committee, which comprises directors who are not employees, oversees management's discharge of its financial reporting responsibilities. The committee meets periodically with management and the external auditors to discuss auditing, financial reporting and internal control matters. The external auditors have access to the Audit and Finance Committee without management's presence.

Ken Cameron
Chief Executive Officer

Linda McKay, CMA
Manager, Finance and Administration

May 15, 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
PricewaterhouseCoopers Place
250 Howe Street, Suite 700
Vancouver, British Columbia
Canada V6C 3S7
Telephone +1 604 806 7000
Facsimile +1 604 806 7806

Auditor's Report

To the Directors of
Homeowner Protection Office

And

To the Minister of Housing and Social Development

We have audited the balance sheet of Homeowner Protection Office ("HPO") as at March 31, 2009 and the statements of operations, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the HPO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31,2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
May 15, 2009

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

Balance Sheet

as at March 31, 2009
(expressed in thousands of dollars)

	2009 $	2008 $
Assets		
Current assets		
Cash	2,332	2,450
Cash for reconstruction loan and PST Relief Grant (note 3)	2,346	1,334
Due from Province of British Columbia (note 4)	35	62
Accounts receivable	80	499
Prepaid expenses	94	35
Current portion of loans receivable (note 3)	3,194	3,151
	8,081	7,531
Loans receivable (note 3)	76,562	67,224
Property and equipment (note 5)	624	105
	85,267	74,860
Liabilities and Retained Earnings		
Current liabilities		
Accounts payable and accrued liabilities	1,322	1,148
Loan loss provision (note 3)	1,237	1,638
Due to Province of British Columbia (note 6)	68,003	53,400
	70,562	56,186
Retained earnings	14,705	18,674
	85,267	74,860

Commitments (note 7)

Approved by the Board of Directors

Director Director

The accompanying notes form an integral part of these financial statements.

Statement of Operations

For the year ended March 31, 2009
(expressed in thousands of dollars)

	2009 $	2008 $
Revenues		
Loan discount recoveries (note 2)	7,015	6,624
Reconstruction fees	5,869	15,863
License and exemption fees	4,726	4,560
Provincial contributions	2,091	3,386
Interest	156	245
Other	250	193
	20,107	30,871
Expenditures		
Reconstruction loan grants (note 3(b) and (c))	9,543	15,231
Interest subsidy (note 3(a))	5,512	6,677
Salaries and benefits	2,823	2,677
PST Relief Grants	1,959	3,221
Interest and fees	1,398	1,596
Travel, office and other	1,077	1,399
Legal and professional fees	353	378
Communications and printing	299	312
Research and education	423	237
Rent and utilities	358	222
Amortization of property and equipment	227	48
Loan loss provision	104	(387)
	24,076	31,611
Net Loss from Operations	(3,969)	(740)

The accompanying notes form an integral part of these financial statements.

Statement of Retained Earnings

as at March 31, 2009
(expressed in thousands of dollars)

	2009 $	2008 $
Beginning of year	18,674	19,414
Net Loss Income from Operations	(3,969)	(740)
End of year	14,705	18,674

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

as at March 31, 2009
(expressed in thousands of dollars)

	2009 $	2008 $
Cash flows from operating activities		
Cash received from		
Homeowners for principal-only payments on loans	14,475	13,782
Residential builders for reconstruction fees	6,233	16,781
Residential builders for licence fees	4,774	4,567
Province of British Columbia for programs	2,082	3,364
Partners in funding research and education activities	250	193
Interest on bank deposits	168	245
Cash paid for		
Homeowners for reconstruction loans	(26,385)	(42,077)
Financial institutions for interest on CMHC-insured loans	(5,664)	(6,682)
Suppliers and employees	(5,818)	(4,984)
Homeowners for PST Relief Grants	(1,959)	(3,221)
Province of British Columbia for loan interest	(1,286)	(1,414)
	(13,130)	(19,446)
Cash flows from investing activities		
Purchase of property and equipment - net	(466)	(135)
Cash flows from financing activities		
Net proceeds from borrowing	14,490	18,838
Province of British Columbia for PST Relief Grant program	–	(400)
	14,490	18,438
Increase (decrease) in cash	894	(1,143)
Cash - Beginning of year	3,784	4,927
Cash - End of year	4,678	3,784
Represented by		
Cash	2,332	2,450
Cash for reconstruction loan and PST Relief Grant programs	2,346	1,334
	4,678	3,784

The accompanying notes form an integral part of these financial statements.

1. General

The Homeowner Protection Office (the HPO) was created in 1998 as a provincial crown corporation under the *Homeowner Protection Act* S.B.C. 1998, c. 31 (the "*Act*"). The purposes of the *Act* are:

(a) to strengthen consumer protection for buyers of new homes,
(b) to improve the quality of residential construction, and
(c) to support research and education respecting residential construction in British Columbia.

A further purpose of the *Act* is to establish a Reconstruction Program to provide financial assistance to eligible homeowners for home reconstruction.

The purposes of the HPO are:

(a) to license residential builders and other persons required to be licensed under this *Act*,
(b) to carry out research and education respecting residential construction in British Columbia, and
(c) to administer the Reconstruction Program.

The license and exemption fees collected, including a per unit license fee for new or building envelope renovated dwelling units, fund consumer education, industry education, research and education and administrative support.

The Reconstruction Program is funded by the collection of a reconstruction fee on each new multi-unit home constructed for sale in the coastal climatic zone. The Province of British Columbia (Province) provides a contribution to the HPO to cover the administration costs and grant payments of the PST (Provincial Sales Tax) Relief Grant.

2. Significant Accounting Policies

The accompanying financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are noted below.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Significant areas requiring the use of management estimates relate to the determination of the present value of loans receivable and loan loss provision. Actual results could differ from the estimates.

Cash

Cash comprises cash held in a separate account with a Canadian Chartered Bank and is not restricted as to use.

Cash for reconstruction loan and PST Relief Grant

Cash for reconstruction loan and PST Relief Grant comprises cash amounts held with a Canadian Chartered Bank in separate accounts and is restricted as to use (note 3).

Property and equipment

Property and equipment are recorded at cost and amortized on a straight line basis over their estimated useful lives as follows:

Computer software and hardware	three years
Computer server	five years
Leasehold improvements	over the lease term
All other property and equipment	five years

No-interest loans and deferred payment loans

No-interest loans and deferred payment loans provided by the HPO are concessionary loans in that no interest is charged to the homeowner. These loans are recorded at their net present value (net of grant component) less any provision required for loan losses. Net present value is determined by discounting no-interest loans over their terms and discounting deferred payment loans over 20 years at the provincial government borrowing rate for equivalent terms. Present value discounts are recorded as a grant expense. Principal repayments are first applied to the reduced loan balance (net present value) and then recorded as revenue (loan discount recoveries) when received.

Canada Mortgage and Housing Corporation (CMHC)-insured loans

Loans provided by financial institutions under the Reconstruction Program do not appear on the balance sheet of the HPO. However, the HPO has indemnified CMHC for any claims that may be made against CMHC on these loans up to $375 million with respect to any approved financial institution loans issued under the Reconstruction Program up to October 1, 2024. Accordingly, the HPO's loan loss provision reflects a provision for CMHC-insured loans (note 3).

Loan loss provision

The loan loss provision comprises a general allowance to provide for losses inherent in the loan portfolio for which a specific allowance cannot yet be determined. The loan loss provision is made to reduce the carrying amount of individual loans recorded in the financial statements of the HPO to their estimated realizable amount. As the HPO indemnifies CMHC with respect to its insurance of homeowner loans, the HPO reviews the homeowner loan portfolio for any indications of default or impairment. If any default or impairment on outstanding principal amounts has occurred, the HPO records a liability for a loan provision in respect of these loans. Housing co-operative repair loans are loans on which the HPO is liable to pay interest subsidies only. Because these loans issued by CMHC carry no recourse to the HPO in event of borrower default on the loan principal, no provision is assessed or provided for with respect to housing co-operative repair loans.

Financial dependence

The HPO is financially dependent on the Province for its financing and ability to borrow funds for operations (note 6).

Revenue recognition

Unit license fees and reconstruction fees are recognized as revenue on a monthly basis upon receipt of funds from the home warranty insurance providers. The owner builder authorization fees are recognized on receipt of payment when a completed exemption form is accepted by the HPO. Provincial contributions for reimbursement of administrative costs associated with the delivery of the PST Relief Grant program are recognized on a quarterly basis. Provincial contributions for reimbursement of grants paid out to applicants are recognized on a monthly basis upon disbursement of grants. Interest earned on cash accounts are recognized on a monthly basis. Other revenues comprising mainly Building Smart seminar fees are recognized on a monthly basis.

Loan discount recoveries comprise the discounted value of the HPO mortgages and deferred payment loans that are amortized into income on a monthly basis. See Note 3 for discussion on the accounting policy on loan discount amortization.

Federal and provincial taxes

The HPO is exempt from corporate income taxes and is not subject to the Goods and Services Tax.

Adoption of new accounting standards

(a) Financial Instruments

On October 2, 2008, the Accounting Standards Board (AcSB) determined that adoption of the Canadian Institute of Chartered Accountants (CICA) Handbook. Section 3855, Financial Instruments – Recognition and Measurement, Section 1530, Comprehensive Income, and Section 3865, Hedges, was optional for non-publicly accountable enterprises. The Public Sector Accounting Board (PSAB) proposed maintaining the status quo. On hearing concerns, PSAB announced its intention to re-evaluate its proposed guidance. The HPO is a non-publicly accountable enterprise under the definitions contained in the CICA Handbook.

The HPO has chosen to not adopt the requirements of these sections until there is clarity in future developments in reporting guidance for non-publicly accountable enterprises pertaining to financial instruments and International Financial Reporting Standards for the year ending March 31, 2009. As permitted, the HPO has also chosen not to adopt the related sections of new financial instrument standards, including Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation.

(b) Capital Disclosures and Financial Instruments – Disclosure and Presentation

CICA Handbook Section 1535, Capital Disclosures was amended in August 2008 whereby non-publicly accountable enterprises with externally imposed capital requirements are required to disclose information that enables users of its financial statements to evaluate the effect of these requirements. Effective April 1, 2008, the HPO adopted Section 1535 which requires a non-publicly accountable enterprise to disclose any externally imposed capital requirements and the consequences of non-compliance. Adoption of this standard did not have any impact on financial statement disclosures as the HPO does not have any externally imposed capital requirements.

Future accounting policy changes

In 2007, the CICA issued a new accounting standard Section 3064, Goodwill and Intangible Assets, which is effective for the HPO beginning April 1, 2009. The standard reinforces the principle that assets can only be recognized in accordance with the definition of an asset. The standard also considers software as an intangible asset. The new standard is required to be applied retrospectively and the comparative figures are not restated. The HPO is currently determining the impact of this new standard on the financial statements.

3. Reconstruction Program

Under the *Act*, money paid to the credit of the Reconstruction Program must only be used for the purposes of the program. Accordingly, cash balances for this program are segregated and shown separately on the balance sheet.

Under the Reconstruction Program, financial assistance is provided to homeowners who cannot afford to pay or obtain conventional financing for repairs to their homes with premature building envelope failure in the coastal climatic zone. The financial assistance is secured by mortgages registered against the title of the home to be repaired. This financial assistance is provided in the form of subsidized interest loans, no-interest loans or deferred payment loans as follows:

a) Subsidized interest loans through the first mortgage lender

i) Homeowner

Under agreements with financial institutions and CMHC, the HPO approves loans to homeowners for repairs to homes with premature building envelope failure and issues CMHC insurance certificates for these loans. The loan is advanced by the financial institution that holds a first mortgage on the property and, as a consequence, is not recorded as a loan on the balance sheet of the HPO. As the HPO has indemnified CMHC for defaults of principal and interest repayments on these loans, the HPO considers the likelihood of default on these loans as an integral component of its assessment of the need for a loan loss allowance. The homeowner makes monthly principal-only payments to the financial institution. The HPO pays interest on the homeowner's behalf to the financial institution at the prime-borrowing rate of the lender. This interest is included as interest subsidy in the statement of operations.

ii) Housing Co-operatives

Under an agreement with CMHC, the HPO evaluates the eligibility of housing co-operative repair projects with premature building envelope failure for financial assistance. The loan is advanced by CMHC who is also the first mortgage lender. The housing co-operative makes a monthly principal-only payment to CMHC. The HPO pays interest on the housing co-operative's behalf to CMHC. While the repairs are underway and prior to the interest adjustment date (IAD), the HPO pays interest at CMHC's Construction Floating Rate. At IAD, the interest rate on a loan is set for an initial five-year term to equal the bid yield of a five-year Government of Canada benchmark bond with approximately five years remaining in its term plus not more than 0.75% per annum, compounded semi-annually in arrears. This bench mark is also used to set the interest rate for the second and final five-year term. This interest is included in interest subsidy in the statement of operations.

The HPO has not provided guarantees or indemnities for any of the loans to housing co-operatives. The only obligation of the HPO with respect to these loans is to pay interest during the construction period up to one year and thereafter, for a period of ten years. Consequently, neither the loans nor a pro vision for losses appear on the balance sheet of the HPO.

b) No-interest loans through the HPO

In cases where there is no first mortgage or where the first mortgage lender refuses to provide a loan, the HPO provides a no-interest loan to the homeowner. The homeowner makes principal-only payments to the HPO. Loans advanced directly by the HPO are not CMHC-insured. The net present value of these loans is included in loans receivable on the balance sheet. The net present value of the interest discount has been recorded as reconstruction loan grants in the statement of operations.

c) Deferred payment loans through the HPO

In circumstances where eligible homeowners qualify for no-interest loans under the Reconstruction Program, but their income is such that they cannot afford at least $50 per month as a principal-only loan payment, the HPO may approve a deferred payment loan. Deferred payment loans do not accrue interest and do not require any payments to be made for as long as the homeowner resides in the home. If the net proceeds from the sale of the home, after repaying other mortgages in priority to the deferred payment loan and paying reasonable legal and real estate expenses, are not sufficient to fully repay the deferred payment loan, then the shortfall may be forgiven. The net present value of these deferred payment loans is included in loans receivable on the balance sheet. The net present value of the interest discount has been recorded as reconstruction loan grants in the statement of operations.

d) Details of loans issued under the Reconstruction Program:

	2009		2008	
	Number of loans	Balance outstanding ($000's)	Number of loans	Balance outstanding ($000's)
On-Balance Sheet Loans				
No-interest loans	1,227	64,164	1,270	49,439
Deferred payment loans	1,272	55,019	1,266	57,831
Less: loans discount		39,427		36,895
	2,499	79,756	2,536	70,375
Less: current portion		3,194		3,151
		76,562		67,224
Third-party Loans (Off-Balance Sheet Loans)				
Subsidized interest loans				
Homeowner	1,782	82,401	2,055	81,891
Housing co-operatives (*)	29	65,287	22	50,682
	1,811	147,688	2,077	132,573
Total loans outstanding	4,310	227,444	4,613	202,948

The allowance for losses on loans comprises:	2009 ($000's)	2008 ($000's)
Beginning of year	1,638	2,025
Allowance/Recovery of losses during the year	104	(387)
Write-offs	(505)	-
End of year	1,237	1,638

(*) In 2008/09, the 29 repaired or under reconstruction housing co-operative loans covered 1,620 homes. In 2007/08, the 22 repaired or under reconstruction housing co-operative loans covered 1,143 homes.

Cumulative loans approved to March 31, 2009 were as follows:

	Number of loans	Total financial assistance approved ($000's)
Subsidized interest loans		
Homeowners	9,287	316,838
Housing co-operatives (*)	39	149,750
No-interest loans	2,498	123,288
Deferred payment loans	2,196	90,598
	14,020	680,474

At March 31, 2009, total loans approved, but not yet issued were as follows:

	Number of loans	Total financial assistance approved ($000's)
On-Balance Sheet Loans		
No-interest loans	84	5,898
Deferred payment loans	78	4,875
	162	10,773
Off-Balance Sheet Loans		
Homeowners	98	7,811
Housing co-operatives (**)	10	72,653
	108	80,464
	270	91,237

(*) The 39 approved housing co-operative loans comprise 2,045 homes.
(**) The 10 approved, but not yet issued comprise 425 homes.

e) The revenues and expenditures of the Reconstruction Program were as follows:

	2009 ($000's)	2008 ($000's)
Revenues		
Reconstruction fees	5,869	15,863
Loan discount recoveries	7,015	6,624
Interest	71	144
	12,955	22,631
Expenditures		
Reconstruction loan grants	9,543	15,231
Interest subsidy	5,512	6,677
Administrative costs	929	1,370
Interest and fees	1,350	1,545
Loan loss provision	104	(387)
	17,438	24,436
Deficiency of program revenues over expenditures	(4,483)	(1,805)

f) The present value of the interest to be paid in the future by the HPO on the subsidized interest loans approved comprises:

	2009 ($000's)	2008 ($000's)
Loans held by financial institutions	15,115	30,489
Housing co-operative repair loans - issued	20,010	15,886
Housing co-operative repair loans - approved but not issued	18,858	60,923
	53,983	107,298

Loans held by financial institutions are amortized over a 15-year period. Housing co-operative repair loans are amortized over a 40-year period.

Loans were approved, but not issued in instances where strata corporations or housing co-operatives had not yet signed contracts for the repair of the building envelope or had not yet passed the final special assessment for the cost of the repairs. It is uncertain if CMHC will access each approved housing co-operative repair loan for eligible repairs under the Reconstruction Program due to their independent determination.

The HPO has stopped making new commitments for financial assistance for repairs to federally funded housing co-operative projects in British Columbia. The federal government continues its responsibility for repairs to federally funded co-operative housing projects. However, the HPO continues to provide financial assistance to housing co-operatives with loan commitment letters already in place. The repair value for the housing co-operative repair program as of March 31, 2009 was $149,750,000 for a total of 39 projects (2,045 units). This has resulted in a significant decrease in the present value of interest costs to be paid in the future by the HPO. The present value of interest costs on loans held by financial institutions has decreased primarily due to declining interest rates.

4. Due from the Province of British Columbia

This account receivable includes interest due from the Province representing interest earned on the HPO's balance of its overnight bank deposits in the Province's offset interest program, and reimbursement of PST Relief Grant payments made on behalf of the Province. The Province's offset interest program pays interest to the HPO at the prime rate of the Royal Bank of Canada less 1.75% approximately one month in arrears. Under the agreement between the Province and the HPO, the Province reimburses the HPO on a monthly basis for all PST Relief Grant payments made to eligible homeowners.

	2009 ($000's)	2008 ($000's)
PST Relief Grant reimbursement	31	22
Offset interest earned	4	15
Other provincial contributions	-	25
	35	62

5. Property and Equipment

	Cost ($000's)	Accumulated Amortization ($000's)	2009 Net Book Value ($000's)	2008 Net Book Value ($000's)
Computer software	403	(264)	139	22
IT server	396	(79)	317	–
Computer hardware	381	(353)	28	46
Furniture and equipment	370	(305)	65	13
Leasehold improvements	276	(201)	75	24
Vehicles	17	(17)	–	–
	1,843	(1,219)	624	105

6. Due to Province of British Columbia

The HPO's Board of Directors has approved borrowing to a maximum of $75 million; the Province has approved a borrowing level of up to a maximum of $74.2 million.

At March 31, 2009, the HPO had borrowed $68 million made up of short-term borrowings comprising the following:

Due Date	Interest Rate	Amount (Expressed in millions of dollars)
April 20, 2009	2.05%	22.1
April 22, 2009	0.70%	3.0
May 11, 2009	2.04%	6.1
May 13, 2009	2.00 %	10.2
May 21,2009	1.90%	7.6
May 26, 2009	1.34%	4.9
July 27, 2009	0.58%	4.0
January 14, 2010	0.80%	10.1
		68.0

7. Commitments

The HPO is committed, in the normal course of business, to paying interest on behalf of eligible homeowners to financial institutions. HPO is also committed to CMHC on behalf of eligible co-operatives during the one-year construction period and thereafter, for a 10-year period. The actual interest subsidy payment amounts made and the present value of estimated interest amounts to be paid in the future are disclosed in note 3(e) and (f).

During 2008, the HPO entered into a new lease agreement incorporating its existing lease agreement and supply of additional office space, which expires on January 31, 2011. At March 31, 2009, the HPO has minimum rental obligations under operating leases as follows:

Year ending March 31	($000's)
2010	377
2011	337
	714

The rental payments and operating costs are disclosed in the statement of operations.

8. Related Party Transactions

In the normal course of operations the HPO acquires goods and services from the Province under prevailing trade terms. Amounts due to/from the Province and income and expenses during the year are disclosed in the balance sheet and statement of operations respectively.

9. Financial Instruments

The estimated fair values of cash, accounts receivable, accounts payable are considered to be approximately equal to their carrying value because of the short-term nature of these instruments. The short-term debt is valued at the principal amount plus accrued interest as the debt is under a fixed rate contract held to maturity.

The fair value of loans receivable cannot be readily determined due to the lack of available comparable market information as the loans do not bear a market rate of interest and the timing of repayment is not determinable.

The HPO's exposure to credit risk is limited to the carrying amount of loans receivable, accounts receivable and the guarantees provided by the HPO to CMHC. Significant changes in the economy of British Columbia or deterioration in the credit profile of its borrowers, which represent a concentration in its portfolio, may result in actual losses, which are different from those estimated in the loan loss allowance.

The HPO's exposure to interest rate risk is limited to borrowings from the Province which are short-term fixed interest rate contracts based on the open market and its interest subsidy in respect of homeowner and housing co-operative loans. As the interest on homeowner loans is calculated based on the financial institution's prime rate, the HPO's interest exposure re-prices to market rates frequently. The HPO's exposure to interest rate risk in respect of housing co-operatives is disclosed in note 3(f).

10. Employee Benefit Plans

The HPO provides a defined benefit pension plan and other post-retirement benefits to all of its permanent employees.

The HPO contributes to the Public Service Pension Plan (the plan), a jointly trusteed pension plan, to which employees and employers of the public service contribute. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The plan is a multi-employer contributory pension plan. Basic pension benefits are defined.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The latest valuation as at March 31, 2005, indicated an unfunded liability of $767 million for basic pension benefits. The next valuation will be as at March 31, 2008, with results available in 2009. The actuary does not attribute portions of the unfunded liability to individual employers. The HPO paid $198,834 for employer contributions to the plan during the year (2008 - $178,708).

Under the terms of their employment, employees of the HPO are also entitled to termination and other post retirement benefits that include health care benefits, which are provided under public service benefit plans.

Defined contribution plan accounting is applied to these benefit plans as the HPO has insufficient information to apply defined benefit plan accounting. Therefore, the cost of employee future benefits for these plans is recognized as an expense in the year contributions are paid.

PO Box 11132 Royal Centre
Suite 2270
1055 West Georgia St
Vancouver BC V6E 3P3
Canada

Telephone: 604 646 7050
Facsimile: 604 646 7051
Toll-free: 1 800 407 7757
Website: www.hpo.bc.ca
Email: hpo@hpo.bc.ca